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16 November 1983

WEST EUROPE REPORT

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FLEMISH SOCIALISTS WRITE BOOK ON EUROPEAN SECURITY

Brussels KNACK in Dutch 28 Sep 83 p 28

[Book review by J.S.; "The Last Illusion; a Book on European Security by Karel Van Miert and his Associates."]

[Text] Since the liberation, the peace movement in Europe has proceeded in stages. So far there have been three high points. In 1950 there was the appeal from Stockholm which was somewhat communist in origin, but was nevertheless signed by 300,000 Belgians as well. At the beginning of the sixties there was the period of ban-the-bomb marches, and in the second half of the seventies resistance to the neutron bomb came forth. The American President Carter had barely buried the project when his successor, Reagan, caused a revival of the movement with the matter of American missiles in European territory.

Things could be different if only we want them different, say SP [Socialist Party] Chairman Karel Van Miert and the other authors of "Uit De Waanzin" [Out of Insanity]. Meanwhile a poll showed that not a few want things different. Almost 80 percent of the population is opposed to the installation of the Pershing and Cruise missiles, and no less than one third of the CVP [Social Christian Party] and one fourth of the PVV [Party of Liberty and Progress] members will resign from their party if those things do come after all.

"Uit de Waanzin" is a publication of the Study Center of the Socialist Party. The other authors, besides Karel van Miert, are parliamentary group leader Louis Tobback and researchers Rik Coolsaet and Bernard Tuytens. The booklet has 130 pages and is written very eloquently.

"Uit de Waanzin" contains four chapters of explanations on the security plan which had been drawn up by the SP already in the summer of last year, but which the party is bringing back now with renewed force. In six of the points, that security proposal is a purely political procedure, beyond all military aspects or considerations.

The six points can be summed up quickly enough: freezing of all existing nuclear arms in Europe, withdrawal of all nuclear arms from countries which do not themselves possess them, promising not to be the first to deploy nuclear arms in case of potential conflict, achieving a balance in conventional arms between East and West, the delineation of a security zone of 150 kilometers on both sides of the FRG-East German border, and finally the multiplication of confidence-inspiring measures.

It looks as if Karel van Miert has finally found his subject after many years; he is putting his teeth into it. The priority of that subject hardly ought to be doubted; more and more people are becoming aware of the day to day danger accompanying over-arming. An average nuclear bomb now is as powerful as the total of all the bombs used in World War II.

However, there are tens of thousands of those nuclear arms. About 31,000 in the West and 20,000 in the East. That means $3\frac{1}{2}$ [metric] tons of TNT per inhabitant of the earth, per human being, per mortal. At least 6,000 American nuclear arms are mounted in Western Europe. NATO and the Warsaw Pact together have about 100,000 tanks today. Well, that is more than enough, Karel Van Miert appears to be saying.

/Stop where we are/ is the slogan of the American Freeze movement; no additional nuclear arms. For continually more arms mean continually less security. Everyone will lose the very next conflict, no matter how large his volume of arms is. Rejecting violence in international life is now the basis of any security policy for the Flemish socialists. It is their conviction that European security will be better insured by economic cooperation with Eastern Europe and the Third World than by means of deterrence. A quotation: ". . . Modern nuclear arms are made because they are thought to be usable. Or because the illusion exists that they are usable. And perhaps that is the last illusion we will ever have."

The crux of the matter is to replace mutual deterrence by mutual security. Security should no longer be maintained /at the cost/ of others but /together with/ others.

There is no question that that conviction is diametrically opposed to the current views of the White House and the Pentagon. At the beginning of next month Karel van Miert will be heard in Washington by a senate committee along with Olof Palme and Willy Brandt. It is clear what these Western European socialists are going to say over there. That militarily it is not very important whether those 48 missiles come to Belgium now or not, that the entire matter is of a /political/ nature. That the installation of the missiles on European soil means abandoning the old escalation theory, which is being succeeded by the belief in the possibility of a limited nuclear conflict.

That nuclear force in Europe is supposed to take over the deterrent function of the American arsenal and simultaneously it offers the advantage that the battle stage is limited to Western Europe. Thus the missiles do not come for our security but for the American security. To the Western European socialists that means more than a small violation of the original spirit of the NATO treaty.

According to Karel van Miert the current American basis of thinking is that we must arm ourselves to force our opponents into disarming. That resembles the theory of our country's minister of foreign relations, Leo Tindemans, but it is wrong. For arming of one side always means insecurity of the other side and vice versa. It is an endless trail.

The alarming thing is that the current American policy doesn't recoil from that trail. President Reagan appears to believe steadfastly that a strong increase in the American defense budget will force the Soviet Union into negotiations because it cannot keep up with that race. For if we continue as we are doing now, by 2017

the Soviet Union would have to spend every ruble it has on arms. By accelerating the arms race the Americans expect no less than that the Soviet regime will adapt in a sense favorable for the West. It is evident to Karel van Miert that this seems terribly naive. One doesn't create real security this way. Now the big demonstration of 23 October is being awaited. If only one more person attends than in 1981, Karel van Miert will stand firm in his shoes.

8700

CSO: 3614/8

NATO REPRESENTATIVE ON ROLE, FUTURE OF PACT

Stuttgart MARINE-RUNDSCHAU in German Sep 83 pp 394-398

[Article by Dr. Hans-Georg Wieck, ambassador and permanent FRG representative to NATO: "Our Security in the 1980s." In this column, prominent personages from the political sphere, the military forces, technology, science and industry regularly express their views concerning topical maritime questions within their respective domains.]

[Text] The question of the significance of the North Atlantic Alliance for our security in the 1980s is not an academic question, nor is it a theoretical one, but it is a most topical one. It is a question the answer to which is not without controversy in the sphere of our public opinion.

It is for us an unquestionable fact that the alliance represents the basis for our security. But for many, including also those who make public opinion, the alliance is a source of danger for peace. What is the reason for this? Probably the reason for this is to be found in the fact that to many people the danger and the menace do not appear so obvious. However, one must see them if one is willing to see the facts realistically.

On the basis of this background I propose to deal with the following questions:

1. Will the alliance be able to guarantee our external security also in the future?
2. What are the dangers emanating from the Soviet Union?
3. With what means are we going to meet these dangers?
4. Conclusions to be drawn for Germany's situation and for our future.

1. Will the Alliance Also Be Able to Guarantee Our External Security in the Future?

(1) The alliance--the coalition of 16 sovereign states for a common foreign and security policy vis-a-vis the Soviet Union as well as the Warsaw Pact

and its members--is the most important element of peace and our freedom in the face of the Soviet threat, which is of hegemonic, ideological and military nature. The alliance can also carry out this function in the future if it has the necessary means at its disposal and if its partners continue to respect the principles of political solidarity and collective defense.

(2) The alliance is in a position through a defense policy based on agreement and dialog to meet effectively the danger posed by the Soviet Union in the ideological, hegemonic and military spheres, at any rate for the areas of the alliance, and to neutralize this threat. It can thus secure the sovereignty and the freedom of the alliance partners and preserve peace. This takes place on the basis of equality of the partners' rights and by way of jointly agreed-upon decisions and not by way of a hegemonic alliance structure.

(3) The alliance partners also can create the conditions necessary for political solutions in connection with overcoming the partition of Berlin, Germany and Europe and thus the foundation for a lasting and just peace.

(4) Alternate security concepts cannot fulfill these tasks. They lead to uncertainties and instabilities and thus to the development of the danger of war as a consequence of a changed assessment of the involved risks, which would then appear to have become smaller for the ideologically politically and hegemonically expansive Soviet Union.

Alternatives such as neutralism or a European security concept resolved by the United States as well as unilateral actions or agreement concerning nuclear-free zones increase this risk for each individual state.

2. What Are the Dangers Emanating from the Soviet Union?

At the latest, the Soviet Union grew into the role of a hegemonic European power after World War II. It differs from preceding hegemonic powers in Europe (and which European country has not at one time or other played such a role in its history?) in that its hegemonic policy coincides with the self-chosen role of guardian and architect of the communist world revolution and with the building up of a global military force which, together, have made the Soviet Union a power with global dimensions and aspirations and have placed it in a position of power which provides it with a clear superiority vis-a-vis any strictly European combination of states.

Its role as the guardian of the Soviet version of the communist doctrine makes its ideological claim "absolute," "infallible" and "irreversible."

Moscow ascribes to itself, to all other forces and to the future (the inevitable development toward communism) and to the capitalist countries (objective of the counterrevolution, i.e., destruction of the Soviet Union) roles which are conflict-laden. This is the source of the danger with which we have to live. Of course, the followers of such a doctrine do not regard it as a source of danger but a normal phenomenon accompanying historical determinism and historical materialism.

The Moscow doctrine is necessarily a philosophy of an expansive character. Stalin replaced the proletarian uprising in the industrial states of Europe, and particularly in Germany, after the Soviet October revolution in St Petersburg, which Lenin and Trotsky had expected, with the thesis of founding world communism on the basis of the Soviet state and of achieving victory by way of a gradual change in the correlation of forces in favor of the Soviet (communist) world system.

Against this background, the military component of the Soviet Union assumes a fundamental significance. It provides for the Soviet revolution the instrument for fighting the counterrevolution both internally and externally. After World War II, the Red Army served to stabilize power in Eastern and Central Europe. After the failure of the attempt to force the United States to recognize its parity as a world power by means of the Berlin and the Cuba crises (1961/62) at considerable risk, the Soviet Union set about creating the elements which were lacking for realizing its claim to being a global power with equal rights--strategic parity, the capability for maritime challenges, the military security of its border with China and the ability to apply political pressure on neighboring countries, including NATO members, with the aid of a strategic nuclear potential not affecting the United States directly. Added to this was the buildup of dependent client states (Cuba, Vietnam, Angola and so forth), which were to help the unfolding of Soviet interests in regional areas--for the price of the material maintenance of a pro-Soviet course in these countries themselves. This military effort devours approximately 12 to 15 percent of the Soviet gross national product, which admittedly is quantitatively smaller when compared to that of the United States. Annual real increases of approximately 3 to 4 percent are to be expected.

The buildup of this significant political and military potential, the task of which is to bring about a change in the correlation of forces, is confronted with weaknesses in the Soviet system which are subjective and objective in nature and which again and again cause Soviet policy to engage in pragmatic actions and sometimes even to overreact.

What Weaknesses Does the Soviet Union Have?

- (1) The ideological rule has deprived the people of creative freedom: the Soviet system tends to be static and unproductive.
- (2) In eastern Europe the national forces which are anchored in the history of Europe are resisting their subjugation to the imposed Soviet system. The Christianization of the peoples of Eastern and Central Europe was carried out from Rome. They have experienced humanism and the Renaissance and therefore have a different concept of the position of the individual in society from that existing in the Soviet form of communism.
- (3) The Soviet Union is weighted down with the syndrome of encirclement by an anti-Soviet coalition and with the historic nightmare of foreign interventions and therefore tends to overreact.

(4) Structural weaknesses in the Soviet Union itself and the weaknesses of the Soviet position in Eastern Europe will in the long run lead to a change in Soviet rule. Phases of a giant's weakness contain particular risks.

The Soviet Union represents for us a danger because, on the one hand, it displays ideological-hegemonic tendencies for expansion and has created an adequate military potential toward this end and because, on the other hand, it displays subjective and objective weaknesses which could induce it to commit irrational acts.

3. With Which Means Do the Alliance Partners Meet This Danger?

The United States tried to utilize the lessons of World War II with the establishment of a universal world order--the United Nations. It also proposed (in the Baruch Plan) that all nuclear weapons be handed over to the United Nations. The Soviet Union had a different concept of the role to be assumed by United Nations. It was not willing to subordinate its freedom to make decisions on important questions to a universal world order with a complicated opinion-forming process. While this was still in the stage of being discussed, there came into being in Eastern and Central Europe the regimes which were dependent on the Soviet Union--the last such event taking place after the coup d'etat in Prague in the CSSR. The Soviet Union tried to fill the political vacuum in Germany in line with its own concept by means of the West Berlin blockade. In Greece, a civil war promoted by the Soviet Union was raging. Persia and Turkey were in danger.

The wartime coalition broke up on the first day after the victory. In the postwar years, individual Western European countries tried to create a border-transcending security framework (the Brussels Treaty of 1947). This was a faint-hearted attempt. It was unable to bring about parity with the Soviet Union. Only a radical turning away of the United States from the Founding Fathers and from its foreign-policy preferences--nonintervention in the quarrels of Europe--could provide credibility for an equalizing antipole vis-a-vis the Soviet power in Europe striving for the attainment of global objectives. Thus, with the consent of the American Senate, which, as we know, had in 1919 failed to ratify the League of Nations and the Versailles Treaty for reasons of isolationism and the American rejection of lasting security guarantees for other countries in peacetime, there came into being the Atlantic Pact which has since then preserved peace for all members and their freedom. This indeed constitutes a historic turning point. It is anchored in the UN charter through the right to regional collective defense alliances.

The tasks of this alliance have been, are and will continue to be the following:

(1) to turn back the Soviet hegemonic aspirations in Europe and, if necessary, to protect the NATO partners militarily,

(2) to prevent a third world war,

(3) to create the foundations for a peaceful solution of political problems in Europe.

The alliance has thereby also given some hope to the peoples in Eastern and Central Europe who had been cheated out of their freedom.

This cannot mean that there is to be a crusade. Nothing is further removed from the alliance's intentions.

The political tasks can only be mastered if there exists a dependable instrument for the balancing of interests, for consultation and for a conceptional shaping of East-West relations and if there exists a credible military potential for securing the peace and, if necessary, the latter's restoration.

The alliance makes use of consultation in the North Atlantic Council for carrying out these important, and even vital, tasks. Here common positions are established by consent and on the basis of many consultations. Only in conflict situations does each member party decide for itself. Defense is not tied to agreement by all members, but only to the positive decision of the actually involved nations.

It was by agreement that the foundations for the strategy of deterrence, the forward defense and the premeditated escalation for the purpose of restoring deterrence were determined. It is in this way that the common positions in connection with arms control negotiations, disarmament and the course of the struggle for the future of Europe--the conference for security and cooperation in Europe--are prepared.

Western reaction corresponds to the nature of the danger--a political, military as well as an ideological danger. It is based on defense and on negotiations. This was expressed most clearly in the Harmel report of 1967. The political aspect became so important with Germany's admission in 1955 because, after all, Germany is a political bone of contention between East and West in Europe and the German option for the West could not mean the abandonment of the other part of Germany.

In view of the fact that the great military potential which is being built up and modernized, and in view of the realization that stable security cannot be achieved through unending armament, but only through an adequate balance of forces provided, of course, that such forces are observable, the West is seeking a balance of forces in the strategic, Eurostrategic and conventional spheres at the lowest possible level and by way of negotiation. Thus the strategy of deterrence is complemented by a strategy of a balance of the forces, which necessarily includes its own defensive efforts as well as its own initiative for arms control and disarmament.

In this light are to be seen the manifold initiatives to conduct a dialog with the Soviet Union (MBFR, KSZE, INF, START, and so forth). The following

successes were achieved: Nonproliferation Treaty, SALT I and, within limits, SALT II and the KSZE-concluding documents of Helsinki.

But the road leading to a real relaxation of tension is paved with many additional obstacles.

There have been disappointments which are tantamount to reverses: the Soviet armament buildup, the forcible Soviet intervention in Afghanistan and the Soviet subjugation policy vis-a-vis Poland, where on the basis of the KSZE-concluding documents free labor unions and other political civil rights had been carried through since the fall of 1980.

In the arms sphere, the development and deployment of the mighty SS-20 missiles are particularly aggravating.

These developments should not discourage us. But they carry with them yet another danger--that of resignation vis-a-vis the Soviet hegemony in Europe and the decreasing credibility of the Western strategy of deterrence, because one's own weapons are in danger of destroying the very countries which are to be protected. The alliance has thus gotten into a crisis of understanding one's own situation. The effect of such a signal in Moscow could cause uncertainty, and this increases the danger of war. One's own clarity in decisionmaking could weaken because credibility in one's own camp no longer seems to exist. Here, within ourselves, there thus exists a crisis of understanding which must be overcome. For us these problems of the alliance are demonstrated clearly by the elements of the NATO dual-track decision of December 1979. We are thus truly in a historic year. This is clear to all those involved, both to those who opposed the dual-track decision and to those who defended it and want to carry it through in the Geneva negotiations and in the modernization measures to the extent necessary after the results of the negotiations.

4. What Significance Does the Alliance Have for Germany?

By joining the alliance, Germany has overcome the isolation in which it found itself since World War I--at first formally and in principle, and today in reality.

Confidence in Germany is today again a normality with our neighbors. What a difference from the trench-warfare mentality which continued to exist after World War I. Stalin, the man who wanted to subjugate Europe, has motivated the peoples of Europe and their Atlantic partners to achieve a historic accomplishment--the overcoming of the conflicts resulting from two world wars and from Hitler's genocidal actions.

Germany has displayed an astounding measure of political stability since World War II. This is of cardinal significance. This stability has a high political worth. It will endure only if it is able to rely on a broad consensus concerning the moral, ethical and political values for which we stand. Efforts to preserve this stability are not only important in the interest of our country. They are also necessary in the interest of our neighbors and in the interest of a peaceful solution of the problems of European partition--and for the preservation of peace in freedom for all.

8272

CSO: 3620/23

CDS' RODRIGUEZ URGES SOLIDARITY WITH GOVERNMENT AGAINST ETA

Madrid EL PAIS in Spanish 21 Oct 83 p 11

[Article by Agustin Rodriguez Sahagun]

[Text] Once again, ETA terrorist activity is provoking a storm of violence, and through the irrationality of its positions it is demonstrating that its objective is none other than that of trying to sow terror in the society, to terrify and demoralize it so that it will abandon its illusions of freedom and to prevent peaceful coexistence among the Spanish people.

It is no accident that this increase in violence is occurring in difficult political times, when it is felt that there is tension that could increase to the point of creating critical situations that could be destabilizing.

Therefore terrorism cannot be considered a problem of this or that specific government or of certain security forces but it is something that concerns all citizens, the entire society.

And therefore, in times and situations such as those that we are now experiencing, the most important thing is for all of us to close ranks to isolate the violence and to show solidarity in giving our support to the state institutions that have the direct mission of combatting it.

The struggle against the ETA has been developing for 15 years, and the phenomenon of terrorism did not arise with the arrival of democracy, as some would like to insinuate. It is sufficient to remember that during the previous regime there was even a president of the government among the victims of the attacks. And a state under the law is no less prepared than others to combat terrorism, if we all cooperate in this and no one seeks to use these events in favor of his own particular positions or in endeavors that destabilize.

To unleash those tensions and to sow distrust and confrontation in the society is precisely what the terrorists are seeking to do. And we should not fall into that trap. A criminal gang will never be effective against the state if the society knows how to back its institutions and support those who at all times are entrusted with the responsibility of directing the struggle.

All of this does not preclude demanding of the executive and judicial powers the greatest firmness and efficiency in using whatever legal means they have at their disposition for the pursuit and prevention of terrorist acts. And one of the areas in which that firmness should be clearest is in diplomacy, putting pressure on our neighbors to the north to put an end once and for all to the support and refuge given to the terrorists on the other side of the border.

But there is no room for triumph or ingenuousness in that pressure. Everything indicates that adjacent sectors of the neighboring country prefer egoism of "a Spain with problems" and to live in the false obsession that they will thus avoid the contagion of terrorist activism. A priority goal has to be that of convincing them to take part in more effective cooperation.

That ought to involve the pursuit of a strategy of isolating the terrorists until one succeeds in eliminating any sort of popular support that might permit them to use the infrastructure that they need for their actions.

And there is no room in this action for simplistic approaches or for anti-Basque reactions that forget that above all it is the Basque people who are suffering the consequences of the violence. There are some terrorist gangs that assassinate people and there are some minorities that give them direct or indirect support, but in recent years the ETA has lost the appeal that it had some years ago. Let us not through false reactions give them the chance to regain that appeal.

The Basque people and the Spanish people in general will not be free of the criminal actions of the ETA until we are capable of uniting solidly--whatever our ideology may be--in the face of the intimidation and the blackmail of those who seek to rob us of our right to peace and freedom.

There is only way to overcome such a situation: solidarity. Everyone against terrorism. The Basque Government, the Basque Church and all of the estates, as well as the political and social institutions and forces should participate decidedly in generating this attitude.

Isolation is no longer enough. We all need to mobilize ourselves against the ETA, publicly and unequivocally manifesting our rejection, supporting the Security Forces, achieving agreements among the parties, the unions and business organizations, professionals and the communications media and everyone else to resist terrorism actively and with solidarity.

9746

CSO: 3548/52

SUMMARY OF ETA VIOLENCE OVER TWO MONTH PERIOD

Madrid EL PAIS in Spanish 21 Oct 83 p 18

[Text] Madrid--Thirty terrorist actions involving the deaths of eight persons of various professions are the balance of the onslaught of violence by the various branches of ETA during the last 2 months.

The terrorist offensive began with the setting of five bombs at the beginning of September, specifically, shortly after the floods in the Basque Country. Three of them exploded at the University of Navarra. The same week, ETA-Military assassinates the industrialist Arturo Quintanilla in Hernani. On 10 September, an explosive is thrown at an automobile of the Civil Guard in Pamplona. Three days later, there is a grenade attack against a headquarters of the National Police in San Sebastian. Eight persons are injured.

After the summer, ETA-Military assassinates a national policeman in the locality of Urnieta (Guipuzcoa). In only 6 days (from the 8th through the 14th of October), the same terrorist organization assassinates three more people, two of them in the Basque Country and one in Andalusia. The dead are the mine carpenter Juan Jose Pulido, the civil guard Angel Flores and Alfredo Jorge Suar, the doctor at the prison of El Puerto de Santa Maria in Cadiz.

There were other terrorist actions at the same time, some attributed to ETA-pm and others to organizations with similar characteristics that have not claimed the actions. Last August, commandos of the Eight Assembly of ETA-pm had already initiated an offensive against military installations. From 20 September through yesterday, the "octavos" threaten military headquarters throughout the country, assassinate Capt Alberto Martin, attack the commissariat at Irun and set a bomb in Logrono that seriously wounded a national policeman. Meanwhile, in unclaimed actions, a national policeman is shot at in Portugalete and four bombs explode at Civil Guard and army centers, causing the death of Jose Reyes, a civil guard in Onate, and wounding another in Burgos.

9746

CSO: 3548/52

FOLKETING OPENING DEBATE DEMONSTRATES SCHLUTER VULNERABILITY

Left Attacks Economic Policy

Copenhagen BERLINGSKE TIDENDE in Danish 7 Oct 83 p 6

[Article by Lisbeth Knudsen: "Opening Debate: Ideological Clash"]

[Text] The opening debate showed that the government in the new Folketing session, too, will come to live life dangerously from matter to matter and from debate to debate in the Folketing. The debate was characterized by a sharp ideological clash between the socialist and non-socialist parties.

Unemployment and economizing in the social area were main topics in the Folketing's opening debate, and the debate showed that continued clashes regarding these areas are to be expected in the time to come.

Prime Minister Poul Schlüter upbraided strongly about the charges against the government for not talking enough about unemployment and trying to solve its problems.

"Nine tenths of my opening speech concerned how we will realize the goal of getting jobs for more," he said. He complained that neither the Social Democratic Party nor the Socialist People's Party had apparently understood that the government just chose another method than the socialist parties.

Finance Minister Henning Christophersen maintained that the government "could not at the edge of the abyss suddenly turn around the entire development in unemployment," but that unemployment had incidentally increased less under the non-socialist government than under the Social Democratic government from 1980 to 1982.

Both the prime minister and finance minister also upbraided strongly about attacks on the government's social economizing. "Why is it not believed that the government is engaged with the conditions of families with children?" the prime minister asked and added that the government has come with proposals regarding increases in free place limits and lower payment by parents at day-care institutions for 0- to 3-year-old children. The finance minister questioned who should be characterized as the weak groups in the society. Are retired people perhaps not the weak groups in the society, the finance

minister asked and added that the government has just given retired people an opportunity for the biggest increase in disposable income of all groups.

Ideological Speech

The Social Democratic Party's political spokesman, Svend Auken, said regarding the prime minister's opening speech that it did not make any "attempt to veil the narrowmindedness which for the true believers is made out for clear-sightedness." He found it characterized by ideological remarks.

"Everything which is in common is suspect. Everything which is 'private' is beneficial," he said. He thought that the speech had said a lot about growth but that it did not at all mention the worsening conditions of families with children. That it talked a lot about industry but very little about unemployment. Svend Auken praised the government only for the section in the speech regarding selective industry subsidy regulations for new technology instead of the present general regulations.

"The government must choose sides. It must make up its mind. If the government is only aiming for an alternative to score a political win for the prime minister's party and decimate the subsidies hitherto, we think it is just as well for the Folketing to be dissolved immediately and to have it over with. Then we can save the people weeks of a poker game with face-down cards and dummies. The government has a chance. Not to get its policy through. There is no majority for this in the Folketing. But for cooperation to find solutions to problems," he said.

The Government Parties

The spokesmen for the Conservative Party and Liberal Party attacked the Social Democratic Party sharply for not taking part in work on solving economic problems. Conservative Henning Dyremose maintained that the Social Democratic Party apparently gave foreign market conditions all the glory for economic results and the government all the blame for unemployment.

The Democratic Center Party's leader, Erhard Jakobsen, found that the opposition had to acknowledge that the government had not with the prime minister's opening speech set the stage for an election. He characterized the Social Democratic resolution regarding rejection of announced economy measures as "a boxing glove for a black eye," and thought that the Social Democratic Party should have taken more kindly to the government's overture. Erhard Jakobsen emphasized that it is necessary to negotiate with the Social Democratic Party but that this must not prevent the government from also negotiating with the Progressive Party. Although a possible election should give the Democratic Center Party a mandated decline, the Democratic Center Party's leader announced that he would continue the government cooperation in the four-party coalition if it became possible.

The Christian People's Party's new group chairman, Jens Steffensen, gave a clear indication that his party is standing by its government responsibility and is adhering to the content of the prime minister's opening speech. After

the recent clash in the group it was noteworthy that Jens Steffensen stated that the government's policy was a defense of the welfare state. The Christian People's Party's former group chairman Arne Bjerregaard appealed to the government parties and the Social Democratic Party to give up the usual empty phrases "for the sake of party power" and to cooperate instead.

Radical Objectives

Radical Liberal Party Group Chairman Niels Helveg Petersen mentioned eight objectives for the Folketing in the new Folketing year. An active effort to prevent the deployment of NATO missiles, a continued tight income policy, improvement of conditions for families with children, better educational opportunities, better protection of nature and the environment, reorganization of the public sector, improvement of agricultural financing rules and a continued tight finance policy.

Ole Maisted of the Progressive Party stated that the government had gotten good economic results but that the Progressive Party had a few outstanding claims against the government with respect to tax relief. He stated that in 1983 there will be the greatest tax pressure hitherto and that taxes are being raised further for next year.

The Socialist People's Party's Gert Petersen believed that the government's "reverse Robin Hood policy" would transfer money from the poor to the rich and destroy the solidarity in the society. He sharply criticized the government's move toward tax reform and economizing on public expenditures. "The dissolution trends in the non-socialist camp are obvious. The leader--the prime minister--speaks strong and self-confident words when he gives an account of the short- and longterm reactionary plans for the country's upheaval. But his foundation is tottering. If we say 'hey, you' to him, he will fall down. But this prime minister is not to be negotiated with; he must be forced to go or call for an election," he said.

The Socialist Left Party's spokesperson Anne Grete Holmsgård said that it would be a catastrophe if the Social Democratic Party were to save the government at the goalposts. The passivity would spread more and more and after that the leap to a totalitarian government is not far, she believed.

Cooperation

The Greenland member, Otto Steenholdt, presented an unusual appeal to the Folketing's parties for cooperation across party lines. "I would like to give my honorable colleagues this piece of advice to think about: To let the hobbyhorses have a sabbatical. The parties will survive anyway. You have a magnificent country. But save it together while there is time."

Former Progressive Party Member Erling Askjaer Jørgensen spoke on behalf of the four defectors and said, "We want the present government to be able to continue. We do not want to deposit our votes with the government, but we look forward to cooperation."

Individual spokespersons from the Socialist People's Party and Socialist Left Party searched for a number of answers from the government to its handling of the much debated missile resolution of 26 May. The Social Democratic Party's spokesman declared himself satisfied that the prime minister in his opening speech included the resolution of 26 May in his working basis.

Defectors from Progressives Play Role

Copenhagen BERLINGSKE TIDENDE in Danish 7 Oct 83 p 6

[Article by Michael Ehrenreich: "Defectors Get Important Seats on Committees"]

[Excerpt] Former Progressive Party Folketing Group Chairman and Present Independent Uffe Thorndahl is getting a seat on, for one thing, the Folketing's political economic committee, the Foreign Policy Tribunal, and the order-of-business committee, as the result of election engineering cooperation between the government parties, the Progressive Party and the Folketing's four independents.

The four independents are, in addition to Uffe Thorndahl, Anker Tang Sørensen, Erling Askjaer Jørgensen and Thure Barsøe Carnfeldt--all former members of the Progressive Party. The four independents are each getting four or five committee seats as the result of the election engineering cooperation, which, it is emphasized by the four Folketing members, is not the same as political cooperation.

Government Determined to Push Program

Copenhagen BERLINGSKE TIDENDE in Danish 7 Oct 83 p 12

[Editorial: "The Play Goes On"]

[Text] There will not be an election if the government does not want one, or as long as there is not a majority in the Folketing to demand one. The government confirmed during the opening debate yesterday that it does not have any desire for an election, but on the contrary is focused on carrying its policy through. And how many outside of the government's four parties mean it seriously when they upbraid the government so severely that one would think that they were only out to bring about an election? The opposition made offensive agenda motions, and seen from outside it could be interpreted as though somebody had to do violence to his feelings to prevent a government crisis. But at Christiansborg, where this kind of dramatic play is loved, but where they are able to keep a cool head, there was no one who had expected any other development than that which actually filled the long Thursday.

Svend Auken, who with youthful zeal reassumed the job of spokesman for the Social Democrats, was, as could be foreseen, noisy in his opposition, and arm in arm with the Socialist People's Party he entered a struggle to convince the public that the government is ignoring the high unemployment figures. This is an allegation which one can forgive the socialist opposition parties for bringing forth with such great wrath. They regard it as an obligation to

their voters and the concentration on this subject diverts attention from the burden the Social Democrats are bearing as a consequence of the collapse of their own government policy. But this is of course an accusation which cannot be raised with any justification against any government. Does anyone believe that a government can ignore the fact that unemployment is a scourge to those hit by it, and that there is any government which will not do everything to bring the unemployment figure down? This holds true also for a government which is not socialist.

The prime minister and other ministers spoke strongly against the accusation. However, they cannot look so one-eyed on this problem as their attackers. For the government parties it is a question of an economic policy which over a broad front is to improve the society's circumstances and thereby open the door to beating unemployment. It is therefore important for the government--and also proper--to stick by the fact that it is an essential objective of its program to have opportunities for businesses improved. This is the sure way to provide more jobs.

The play around resolutions is traditional when the country has a government which does not have a majority. The prime minister called it a free-for-all, but naturally participated in it, and even before the vote had taken place he stated on the radio that the government's policy had a majority supporting it. There is support for continuing the tight economic policy, and the added note that the weak are to be spared can only garner general sympathy.

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STRAUSS ON COALITION PROBLEMS, PROSPECTS, ECONOMY

Bonn DIE WELT in German 21 Oct 83 p 6

[Interview with CSU chairman Franz Josef Strauss by Manfred Schell; date and place not given: "We Do Not Move Our Politicians Back and Forth Like Chessmen"]

[Text] According to CSU chairman Franz Josef Strauss, unemployment will not start to come down until growth rates of four percent or more are reached. The economic policy priorities set thus far, Strauss said in a DIE WELT interview, are not likely, however, to help achieve this goal. The interview was conducted by Manfred Schell.

[Question] Mr Minister President, the coalition has been in office for a good year now—and it got a strong vote of confidence on 6 March. Are you satisfied with the work being done in Bonn ?

[Answer] Anyone who is too well satisfied and radiates satisfaction runs the risk of patting himself on the back and of not calling on himself or others to exert themselves further. We would have attained the same majority in 1976 when Helmut Kohl ran for chancellor, if the FDP had decided to join the CDU/CSU in a coalition at that time—in other words, if it had been prepared to put a stop to the decline of the economy and the decay of our treasury 6 years sooner and to bring about the "big change" in this field. One major problem which has been tackled successfully is that of consolidating fiscal policy and putting the public sector budgets in order. I have had good reasons for criticizing this or that economy measure while adding, of course, that the direction in which we are headed is more or less correct.

[Question] As chairman of the second-strongest coalition party you are directly affected by the success of the Bonn government or the lack thereof. By the look of things, the fate of the government will turn on the economic and labor market policy it adopts. Do you wish to make any suggestions in this regard ?

[Answer] The mistakes and sins of omission committed in the 13-year span from 1969 to 1982 will still be felt for many years to come. But the time where these results can be charged to the Brandt-Scheel and Schmidt-Genscher governments is rapidly drawing to a close. Though there are signs of an improvement in the economy and the labor market, there is as yet no solid progress such as one would normally expect from a 'basic change.' The point is not to redistribute work quantitatively by reducing the work week at any price. No one can tell for sure whether this will really bring down the number of unemployed. But what one can say for sure is that it will not help our GNP grow. One must not disregard the pertinent indicators.

[Question] What do you mean by that ?

[Answer] If the GNP grew by two or three percent, unemployment would continue to increase. If it grows by $3\frac{1}{2}$ to 4 percent, the loss of old jobs would just about be offset by the creation of new ones. Unemployment will not start to go down until a growth rate of 4 percent or more is reached. The priorities set thus far and the stories on the imminent economic upturn that are invariably put out on the weekend will not suffice to help us achieve that goal. We have known about the crisis areas of our economy in coal, steel and shipping for a long time. What we need is a forward-looking industrial policy and a cut in taxes and levies imposed on performance. What sense is there in continuing to raise labor costs and expanding the share of the shadow economy in the process ?

[Question] Ernst Albrecht and Heimo George are in favor of extending tax relief to industry.

[Answer] Heimo George and Ernst Albrecht are not members of the CSU. In other words, the CSU is not guilty of undue interference or obstruction which is what it is quickly and rashly accused of whenever we come up with a critique of our own. The proposals the two men have made should be looked at carefully; nobody wins, if they are deprecated or put down. The sad part of it is that the governments from 1969 to 1982 have used up most of the possibilities for cuts in taxes and levies as a result of their sloppy economic policies. They not only burdened but overburdened the economy with taxes and levies. Nor should one make a sharp distinction between employers and employees. After all, both of them are payers of wage or income taxes and both are interested in having the tax structure changed. In addition, there are special employer taxes whose overall impact is too great. In this area, we must look at the limitations and

proper time frames. The most urgent task, of course, is to create new jobs. But that cannot be done by increasing demand for consumer goods but by stimulating demand for investment goods which will stimulate demand for consumer goods within a reasonable period of time.

[Question] You are saying that there has as yet not been a big upturn in investments which would convey a feeling of real progress. Is it all a matter of psychology ?

[Answer] The transition from Helmut Schmidt to Helmut Kohl was so smooth that there was not enough of a thorough accounting for the sins and mistakes of the past or a careful analysis of why our economy went into a tailspin. Let me draw a comparison. If a patient does not realize how sick he is, then it is hard to put him on any kind of medication that he himself considers unnecessary. In other words, we did not come to the realization that we must dig a good deal deeper to hit the motherlode of progress—in part out of consideration for the new coalition partner who shared in much of the blame in the downfall experienced by the previous government. But there is no point in looking back. Still, one should not forget the past to such an extent that one can no longer recognize the reasons for that downfall.

[Question] Are you criticizing the information policy of the government ?

[Answer] In answering questions of this kind, I always find myself caught between Scylla and Charybdis. Either I do not speak my mind or if I do, I wind up being accused of being a provocateur. But there is no doubt in my mind that the government's information policy could do with some intensification and improvement—both quantitatively and qualitatively. For instance, we have not done enough to make the background, the relationships and the needs of a realistic peace policy clear to the public-at-large and particularly to our young people.

[Question] Mr Strauss, Norbert Blum recently that there were no more social cuts that could be made. Do you agree ?

[Answer] That is not a question to which one can give a simple yes or no answer. Without a doubt there have been cuts which not only served to weed out socio-political excesses but which have hurt the living conditions of low-income groups. But that does not mean there are no social benefits left that need to be looked at more closely.

[Question] You have been offered a cabinet post in Bonn twice and yet you chose to stay in Munich. Are you sorry about that ?

[Answer] There were no personal sentiments involved such as being happy or sad, harboring hopes or intentions—it was a sober estimate of political obligations and the expectations placed in me. That is why I had to make myself available as the CSU candidate for the office of the Bavarian minister president and could not simply say thanks to my friends during the latter stages of the election campaign and move away. And it would have been just as poor a way of showing my gratitude to the Bavarian electorate, if I had taken over a Bonn cabinet post only a few months after the election. Under these conditions, there was no reason for me to take over the cabinet post—prestigious though it was—at any price.

[Question] Are you saying that you made the right decision ?

[Answer] In terms of my credibility vis-a-vis the Bavarian voters, I think I made the right decision even if it was not an easy one.

[Question] In Bonn, speculations are rife concerning the future of economics minister Lambsdorff. Are there any suggestions you would like to make to the minister ?

[Answer] Almost anyone else is better suited to reply to this question than I. I regretted the fact that Count Lambsdorff's reputation has been in doubt for years because of indiscretions on the part of the legal authorities. The North Rhine-Westphalian authorities did not cover themselves with glory on that one. I myself accused the Duesseldorf minister of justice of having perpetrated a legal scandal. It would have pleased me, if Count Lambsdorff had not replied to this reticence on my part with a series of unfounded and in part unconscionable attacks against myself and the CSU. I would hate to think about how the FDP would have reacted to a CSU cabinet member about whom facts had been published as they were in the Lambsdorff case.

[Question] In your capacity as chairman of the CSU, what is your position on possible cabinet changes ?

[Answer] Since my name has been mentioned repeatedly in this connection, I know you will not blame me not commenting on your question.

[Question] Is it incorrect to assume that you might become the new economics minister ?

[Answer] I have read about such speculations in a number of newspapers. I have not commented on them, nor have I ever sought this particular post and I intend to remain buttoned up on this issue for an as yet indeterminate period of time.

[Question] The elections in Hesse and Bremen did not turn out too well for the CDU. What consequences are likely to result from this for the Bonn government ?

[Answer] The CDU had only one genuine opportunity to take over the government in Hesse and that was in the fall of 1982. Prior to that, the CDU had made out well in some elections but the SPD and the FDP obtained the majority. Public opinion polls in 1982 found that the SPD had been losing ground among the voters for an extended period of time. The sudden exit of Schmidt lifted the SPD vote in Hesse and in Bavaria by 7 percentage points. That is why the CDU did not win in Hesse, although it seemed almost sure to do so. If the changeover in Bonn had not taken place on 17 September 1982 but sometime during the winter against the background of an intensifying crisis, my friend Alfred Dregger would surely be minister president of Hesse now and a second election in Hesse would never have been scheduled.

[Question] At that time, you were in favor of waiting until the dissolution process in Bonn became even more apparent to the voters. But you did agree to toppling Schmidt quickly in the end, didn't you?

[Answer] Of course I was in favor of forming a coalition with the FDP. The procedure of replacing Schmidt via the vote of confidence called by him would have resulted in a change within a few months at the most but not to forfeiting the election victory in Hesse. I was not alone in voicing this opinion. In the CSU presidium, it was Fritz Zimmermann who argued for this point of view most forcefully and the presidium went along with it unanimously. And I pleaded the case in Bonn. The fact that I did not succeed will not bother me until my dying day but it is a fact that some people perhaps might have reason to think about today.

[Question] Could you give us your view of the relationship between the CSU and the FDP on the national level?

[Answer] It is a businesslike relationship characterized by a willingness to collaborate and a sober attitude toward the problems of the present as well as events of the past.

[Question] Many persons in the CDU/CSU are looking for a decision soon on who is to be the next president of the FRG. Could you tell us what the CSU position is?

[Answer] I have stated that the CSU will not name a candidate. In this connection there has been a bit of confusion initially—as though Helmut Kohl had come out in favor of the Bavarian minister of culture and I had come out against him. I had to shake my head when I read the headlines saying that there was a new dispute between the CDU and the CSU in the making. I can merely repeat that Helmut Kohl has told me several times—both personally and by telephone—that minister Maier is not a candidate for the 1984 election as far as he is concerned. There are a number of qualified personalities. I might mention people like von Weizsaecker, Barzel, Dregger and perhaps several others. When the final decision is made, we will have to weigh the need for psychological balance inside the CDU/CSU very

carefully. My goal is to have this election lay the foundations for keeping the CDU/CSU in power beyond 1987.

[Question] What exactly do you mean by psychological balance ?

[Answer] What I am thinking of—rightly or wrongly—I can only tell those whose job it will be to participate in the discussions and decisions regarding the next president.

[Question] Does it make sense to postpone this decision until the end of November ?

[Answer] Helmut Kohl and I have not set a date; but he has assured me that the necessary discussions will take place sometime this fall or during the Christmas season at the latest. I am waiting for that without exerting any pressure.

[Question] A final question, Mr Minister President. Richard von Weizsaecker is considered the front runner for the presidency. Is there any concern about the fact that the CDU might lose Berlin as a result ?

[Answer] Richard von Weizsaecker, who is not subject to my censorship or criticism, has a lot of qualifications for this office. No one will deny that he possesses the very qualities for which this post calls; where reticence and balance in thought and expression are more important than impetuosity. But of course there is concern inside the CDU/CSU in view of the disappointment in Hesse; developments in Bremen and the fact that Laender with characteristic SPD majorities and voters with an SPD background are once again returning the former majorities. For decades, Berlin was an SPD Land where the SPD always won big. The decline of the SPD—particularly its inability to govern in terms of foreign policy, defense policy and Ostpolitik—caused many voters to turn their back on the SPD. We must hold on to these voters. In this context, many CDU/CSU leaders view Weizsaecker as a symbol of integration for the difficult political situation in Berlin—a man we cannot afford to do without over the next several years. That is the dilemma we face. But that is a matter for the nominating committees to decide and, in the final analysis, something he himself has to decide. In our party, we are not in the habit of moving politicians back and forth like chessmen. They have the right to be evaluated on the strength of their own convictions and needs.

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REASONS FOR MISUNDERSTANDING BETWEEN PCI, PSI

Sniper Fire Breaks Out Again

Rome L'ESPRESSO in Italian 2 Oct 83 pp 6-9

[Article by Paolo Mieli]

[Text] The two major parties on the Left are still squabbling. Only in the Negri case did they follow a common line, and sniper fire resumed the moment that issue was resolved. Why is there so little mutual understanding?

Last week, for the first time in many a month, we witnessed a most unusual occurrence in Leftist ranks: the PCI and PSI were on speaking terms again. The occasion was the Negri case. Communists and Socialists alike did everything in their power to present a unified front in Parliament. And they did it in spite of the fact that their respective initial positions on the Negri - 7 April question were poles apart. This rapprochement, according to top spokesmen for both parties, was a good thing. It had only one flaw: it did not last very long, and it ended in a stinging defeat. And it laid bare a truth that hurts the Communists worse than the defeat itself: the two Leftist parties, even though both are getting their extremist fringes back into line and picking up the odd defector from the centrist lay parties and even from the DC itself, do not constitute a majority. Once again, albeit by a mere handful of votes, they failed to bring it off. The failure might be attributed to the Radicals' refusal to go along (a refusal which, according to them, will hold for the balance of this legislature), or it may have been the thorny and intractable nature of the case at issue.... Whatever the reason, they didn't make it.

We cover the newsbreaks in the Negri affair in detail on page 14. [Not translated here.] It should be said at once, however, that one party will feel the disconcerting epilogue to the case more painfully than others: the PCI. To put together its majority with the Socialists, it had mothballed the ultra-rigorist positions for which Ugo Pecchioli, a top Party official and one of the four or five men closest to Enrico Berlinguer, had been the standard-bearer for 7 years. The Party had put considerable effort into backing those positions: it

had defied the sulkiness of its Padua federation, of the pro-Communist judges, and of a substantial slice of its own rank and file. It had devised a way out in postponing the decision until after preliminary sentence had been handed down: a highly dubious undertaking. And it was all done with an eye on a "political result," which in the end failed to materialize.

And they did it after airing rumors of what are called, in Party jargon, "uncertainties as to the line": first no, then yes again, then no, then neither... These are things which, in communist circles, somebody is going to have to pay for, sooner or later.

For months the PCI had been looking for a chance to get out of the difficulties thrust upon it by the "democratic alternative." It has been a hard search, but a confused and frequently vain one. After starting the year with a muscular anti-Socialist campaign, in the spring, with the elections looming, the PCI entered into a quasi-alliance with Craxi's party. But when summer came, and Craxi was appointed Prime Minister, the PCI started scowling at him again. And those leaders who, like Luciano Lama and Renato Zangheri (not to mention Alfredo Reichlin and Giancarlo Pajetta), indicated their intention of leaving the door ajar, were, in some instances, sharply pulled back into line.

Again, at the UNITÀ festival in Reggio Emilia, there was occasion to cope with conflicting moods. Although the press had its eyes and ears focused on the reactions to the downing of the South Korean passenger airliner by the Soviets, anyone could see the singular contrast between the anti-Craxi placards and slogans and the warm reception extended to almost all Socialist Party leaders invited to the festival. Quite naturally, there was a touch more affection in the reception granted to such PSI spokesmen as Rino Formica, who display greater openness toward the center and, in the local governments, to dialogue with the PCI. But taking care as well to eschew discourtesy to the others.

At what precise point did this season of uncertainties, of internal divisions, of sudden and unpredictable changes in the Party's political line begin?

It began with the seating of the Craxi government ("in a cage to which the DC holds the keys," was the initial Communist reaction), and the PCI has been in this spot ever since. It began by attacking the government with the same arguments it had adduced against the Center-Left during the Seventies, and the campaign began, in line with tradition in the Party's history, with an article by Adalberto Minucci published in UNITÀ on 21 August, the 19th anniversary of Togliatti's death. That article was followed by a number of bellicose statements from Minucci, in which he cited the split in the Italian Socialist Party of Proletarian Unity (PSIUP). "In his [Craxi's] own house, there is evidence of increasingly sharp division," he charged, and hoped that "at the local level" there would be "counter-thrusts emerging" that could induce the new Prime Minister to engage in some "salutary second thoughts."

The Socialist response had been immediate: why is it that you yourselves had not joined Giorgio Amendola in a critical reassessment of your unethical behavior in the Center-Left government? And how dare you dust off and raise certain issues today, as if nothing had transpired in the interim?

Feeding the fires of polemics with the Communists, Norberto Bobbio took to the field with a letter to RINASCITA, after challenging a string of recent positions taken by the PCI, which said:

"If the Communist Party has hitherto been barred from government and from any real hope of leading the alternative, you asked for it and you are still asking for it with a mulish stubbornness which, with the passage of years and the social transformation now under way in the politically and economically advanced countries becomes increasingly unforgivable... He who is author of his own woes is doomed to weep alone." More generally, what the PSI had asked of the Communists was this: What do you Communists think now about the chances of your joining us sometime in the future to build the alternative together, in view of the fact that the PSI has just now wrested the Prime Minister's office away from the DC, yet you are still sniping at us as if your ammunition would last forever?

That's an embarrassing question, and one to which some of the Communist leadership has responded with new barrages of accusations. Take Ugo Pecchioli: "What stock can we put in this government that slides in its program statements into mutterings about a struggle against the hidden powers that threaten the Republic?" Or Alessandro Natta: "In the month since Parliament was seated, there have been no noticeable actions or practical proposals from the government which would suffice to alter the critical judgment we Communists have expressed anent the Socialist-headed five-Party cabinet." Or Berlinguer himself: "I'll go further: the first acts of this government reveal the patent absence of any positive plan, and the tight rein held on it by the more conservative parties... Instead of making concrete changes in the DC power system, it has confined itself to competing with [the DC] with the DC's own methods." Harsh words, those, reminiscent of the hot-and-heavy polemics of the pre-Frattocchie era, before that meeting last March which seemed to signal a thaw in relations between the two parties.

To be sure, there have also been kinder observations about Craxi. Take Alfredo Reichlin's, for instance: "Our problem isn't Craxi... our common foe is the alliance between the DC and the new and old Right." Or Giancarlo Pajetta's, when he called the Socialist leader's first initiatives on the Lebanese crisis "A very positive step." But then came an article in UNITÀ, tantamount to a formal choice of position by the Communist summit (that is what the decision to call for withdrawal of the Italian contingent from Lebanon was), designed to "reposition the firing-line" so as to direct the anti-Craxi bombardment more accurately.

At the same time, as is the rule in these seasons of conflict between PCI and PSI, rumors were started to touch off unrest among the confused rank and file. The topic of choice was the "moral issue." UNITÀ carried increasing numbers of letters to the editor, along the lines of "How can an honest citizen have confidence when the Prime Minister was unable to understand, until the police stepped in, that smell in the air: an off-color smell, not to say a stink of corruption, among prominent members of the Party whose secretary he was?" Out on the fringes, PSI and PCI took turns in the pillory. And the upshot of that was often devastating to local governments. In Leghorn, for instance, in revenge against the local PCI secretary, Sergio Landi, who had called Craxi's government "a government of crooks," the Socialists brought down every local junta in the province. For the highest tension in inter-party relations, though, we must look to Sicily, especially at Comiso. The Socialist mayor of Comiso, Salvatore Catalano, is the prime target for the pacifists headed by former Communist mayor (of Comiso), Giacomo Cagnes. And AVANTI! has several times protested against the "PCI's hysterical campaign, in which it has gone so far in its facade of pacifism as to incite the people to 'Free Sicily from the American invader!'"

Why is it that the hard-liners in the PCI are prevailing in this head-on clash with the PSI? Is it because the debate is tending increasingly in the direction of international policy? It is quite likely that the PCI is leaning toward a repetition of the operation that worked during the second half of the Seventies: call up the spectre of warmongering America, of the strangulation of the Third World, of the nuclear menace (and of the Italian government's complicity with that of the United States, the prime source of all evils), so as to be able to make points with youthful protesters on the issues. A final reading on the success of this operation is already on the calendar: 22 October, the day on which huge pacifist rallies are scheduled to take place in all the Western capitals. The Communists are betting as they did 15 years ago that this time again it will be the vast youth demonstrations that will put the government's back to the wall. If this operation fails to yield palpable fruit within a very short time, Berlinguer's management of his Party may very well be challenged. The date is already set for that confrontation: the Central Committee debate is slated for the final week in October. And if the month of October has not "paid" for the PCI, there will in all likelihood be somebody who will make an indictment of all the uncertainties, the sudden changes of course, and a number of fairly baffling moves made during the hot weeks of the Negri case. Unless, that is, the Craxi government by that time has run into some roadblocks and unless, in the Socialist Party, Rino Formica, Gianni De Michelis, Claudio Signorile, and all those who favor a resumption of dialogue with the PCI come out of the closet to call for a policy switch toward the alternative. Both parties are aiming at the other's defeat. The drumfire goes on.

Peace Be Unto Them

Rome L'ESPRESSO in Italian 2 Oct 83 p 8

[Text] L'ESPRESSO asked the Hon Adalberto Minucci what moves from either side could form a basis for convergence with the PSI.

Question: Why is the PSI so critical of the Socialist-led government?

Answer: We have to define what we mean by the term "led." Hitherto all five-party governments have "led" the nation into a worsening of the economic, institutional, and moral crisis. And today? If you look at the first economic and social measures adopted by the new government (cutting low and medium pensions, cutting health and welfare payments, firings at IRI, and so on), you cannot help but get the feeling that the moderate and conservative parties in the coalition are getting -- in exchange for the prime minister's post -- a rerun of the old bankrupt policy, with some even harsher treatment for the working classes. Even so, our position will not be a prejudicial one. We shall assess each act with an eye to encouraging positive developments in the situation and new reconciliation processes on the Left.

Question: What sort of initiative would it take to make convergence possible between the PSI and the PCI?

Answer: First of all, peace. We have burning issues on the agenda: how to get Italy out of an adventure in Lebanon that threatens to grow even more perilous; how to achieve de-escalation of Euro-missiles, while striving to block the installation of the Comiso base and for destruction of the SS-20s; how to get back on the track of detente and world cooperation. An ideal agenda for dialogue would not rule out any issue, political, economic, or institutional. A solid opposition, strong in its knowledge that it is in the right, is already at work right now at building the alternative.

L'ESPRESSO asked the Hon Claudio Martelli if it is possible, today, to resume a constructive dialogue with the PCI.

Question: Aside from its Socialist leadership, what difference is there between the Craxi government and the five-party government?

Answer: It has a clear program in depth, which synthesizes and enlivens the criteria for restoring financial health, equity, and the possibility of development. There is a cabinet that states and deals summarily with the great issues, abandoning the highly controversial practices of the party summits. There is a spirit and a readiness to engage in peaceable and negotiated intervention, born

of an awareness of the risks to which Italy stands exposed in international tensions and crises. There is an active search for consensus among the social forces and for dialogue with the opposition. More than in the past, government and opposition today can be civil interlocutors.

Question: Is any meaningful dialogue with the Left possible?

Answer: In the Negri case, the two Leftist parties seemed prepared to put an end to the diaspora which, in interpretation and in battle, divided them and set them at odds *vis-à-vis* terrorism. I think that both parties, even though one is in the opposition and the other in government, have more common boundaries to conquer than to defend: social justice and unity in the world of organized labor. There is -- that problem of problems -- the matter of peace and security. There is the great reform. When it comes to institutions, the wavering between more of the same and daring innovation can be settled through agreement on the criteria which ought to guide government action: again, fairness, and next, efficacy. Of course there will be difficulties. But without dialogue, the difficulties would grow worse than ever for everybody.

Who Will Join Berlinguer in His Alternative

Rome L'ESPRESSO in Italian 2 Oct 83 pp 9-13

[Article by Lucio Colletti]

[Text] It's not easy to understand the PCI's policy or to come up with a thoughtful assessment of it. Even less easy is explaining its policy toward the Socialists. In the space of a few years, it has completely revamped its policy at least twice. What has changed -- I mean -- is not tactics, but strategy, which has been turned upside-down and inside-out like a glove. To help the reader get his bearings, perhaps we ought to hark back to a few high-points in the whole business.

1. In 1978, the Party was part of the parliamentary majority, and supporting a one-party DC government headed by Andreotti. The grand strategy of "historic compromise" with the Christian Democrats, launched some 5 years previously, was sailing ahead with all sail set. It looked as if the key was at long last about to fit into the lock. The international situation was propitious (those were the days of the gentle Carter). The illusory appearance and the painted semblance of *détente* were still alive. In Italy, inflation was on the way down and the economy was showing signs of recovery.

Everything seemed to be going right: I'm not saying for the country, but certainly for the PCI. There was a widespread feeling that, with just a little patience, the Party's entry into government would, sooner or later, be inevitable. But instead, when nobody expected it, in the winter of 1978 and 1979, the experiment was abruptly halted.

A policy that had been heralded as a "historic" operation, was suddenly jettisoned even before the halfway mark, like a no-deposit, no-return bottle.

The Party's summit was terrified at the disorientation and the apathy exhibited by some of the rank and file. The accepted wisdom held that maybe a quick dip into yet another taste of life in the opposition would snap the Party back into fighting shape. After that, possibly, the experiment might be resumed under more advantageous conditions.

The hard-liners' theory that opposition always pays off, however, turned out to be wrong. Not only did the PCI lose 4 percent of its votes in the 1979 elections, but the downward trend has been steadily steepening ever since. Even on 20 June of this year, the Party dropped close to 2 percent of its expected tally. Add to that the fact that in the interim, there had been nearly 2 years of opposition down the line against any government whatsoever, without even looking one of them in the eye -- not even the first cabinet headed by a lay-party prime minister.

2. Meanwhile, in the fall of 1980, there had been a sharp change of strategy. Word was out: "We won't so much as drink a cup of coffee with the DC from now on." From Salerno came the announcement of the "democratic alternative" policy: like a thunderbolt and unbeknownst to the Central Committee, with a text covering a little over two pages, in which the PSI (by some remarkable oversight) was not even mentioned.

There was jubilant rejoicing in much of the rank and file. At long last, everything was coming back to normal. The Party was rediscovering its identity. It was going back to the eternal hunt in pursuit of the great "white whale" [the DC]. But once the hangover from the celebrations had worn off, it wasn't long before even the lowest ranks began to pick up the perception of a new and no less troublesome problem. The alternative -- well, yes: but with whom?

The only thing for it was to reopen the exceedingly distasteful chapter of relations with Craxi's PSI. And there he was, the PSI secretary, the man who was anathema to most communists, beginning with Berlinguer himself, who made no secret of it. And yet -- if there was really going to be an alternative -- nobody could help but see that the PSI would be indispensable. The avid attention with which Craxi's speech to the Communist congress in Milan was followed by the delegates from first to last was significant. People were realizing that Craxi was needed. But that wasn't all! Needed, in addition to him, -- and here, though, the new strategy faded into improbability -- were Spadolini, Longo, and, maybe, even Zanone (all people considerably further away); and without whom, though, the numbers wouldn't be there for the alternative to constitute a majority.

3. The third instalment of the tale is last month's news. In August the first government headed by a Socialist was seated. Even before the new cabinet was formed, the PCI announced its most vigorous, head-on opposition, which was repeated, with emphasis, several times in the weeks that followed. It was billed, as the Party is at pains to point out, as opposition "without prejudice." The fact that it had already been decided, even before Craxi delivered his speech in the Chamber of Deputies' confidence hearing, was lost on no one.

So it was to be a fight to the death, then, against the DC, and also radical opposition to the PSI and Craxi. Inevitably, there is only one logical conclusion. The PCI has no policy. It has a label: "the alternative," which amounts to nothing more than an empty box without the political alliances that would give it substance.

I should like now to try to understand why the PCI painted itself into this corner and also what the effects of that blunder may be.

4. The fact we can begin with is this: the PCI has been out of government since 1947 -- a matter of 36 years. Originally, this state of affairs was natural, and it made sense even to Party members. For some years now, though, that perception has been terribly dulled, and staying in the opposition is beginning to be intolerable.

Being a Leninist party, a revolutionary party, and being outside of government (in more than one democratic regime) is a rational and physiological condition. The Party felt itself as a "detachment" of a worldwide alignment. It knew what the model of the "new society" was. It counted on the prospects of the revolution (what the tactical procedures might become in the interim). And it confidently awaited -- I won't say the "occasion" but the right political-international conjunction of stars. From 1947 through the Fifties, this was more or less (I am simplifying it, of course, for brevity's sake) the PCI's condition. It was a Leninist party, or at least, it said it was. There was "the great camp of the socialist states." Moscow was still the beacon. The USSR was still the "guide state."

Since then, over time, that situation began, little by little, to reverse itself (the turnaround began, cautiously, as early as Togliatti after 1956). Year after year -- and of course it took a lot of years (maybe even too many) -- all the ideological and organizational assumptions were dismantled, one by one. Out went the theory of the guide state. Out went the "dictatorship of the proletariat" and of the single party. Disavowed was the PCI's membership in any one "camp." Relegated to the background was Marxism-Leninism. On the rise, meanwhile, was the concept of democracy as "pluralism." And not only political, but economic as well: which naturally implied a reassessment of the market and of private enterprise.

In short, the men at the head of the PCI, first Longo and then Berlinguer, began at that point to challenge all the tabus, one by one.

They began opening the door to discussion, even challenge of what had been immutable certainties, to which were tied not only the Party's historical roots, but its very identity. And thus it came to criticize the invasion of Czechoslovakia, to denounce that of Afghanistan and Jaruzelski's military coup. And at last it opened the doors to critical discussion of the society that had emerged from the October Revolution.

All this ideological demolition work, of course, stemmed not from mere masochism, but from a very clear-cut political aim. Behind the Party lay long years of isolation. In '56, there had been the breach in the "unity of action pact" with the PSI. Then came the launching of the first Center-Left coalition. And for all that time, as Ugo La Malfa said, the PCI's votes lay idle "in the refrigerator." The ideological demolition project was designed to break up that situation. The idea was to transform the PCI into a political party with its credentials in order, ready to become a party to government in a Western society like Italy's.

Where did the operation run aground? And why, at least thus far, does it still have that aura of doom around it?

5. The only answer I can come up with is this one. The PCI had a choice of two roads open to it. The first was to push the "ideological review" to the hilt, and to declare itself purely and simply another Western social democratic party; that done, hands would be laid, cautiously and very gradually, on the issue that had first arisen back in 1956, and cropped up several times since then, of reunification of the two workers' movement parties. The other road -- certainly far less straight and clear -- was that of holding the "ideological revision" to a bare minimum, to cause as little trauma as possible to the mental myths and shrines of the rank and file, and come down hard, on the other hand, on maximalism in Party practice. In a word, Giorgio Amendola's road.

Viewed from this angle, the case of the French Communist Party is instructive. After having fought hard, and bled itself nearly to death in the fight against Mitterrand to the point where its strength dropped to a mere 15 percent of the vote (a loss, however, no greater than the one taken by the PCI in 1979 and in 1983), the PCF jumped with cheerful alacrity onto the winner's bandwagon and joined the government. On the ideological level, it shifted not a jot: it is still aligned with Moscow, and it has even approved the invasion of Afghanistan.

At the level of practical politics, however, the list of things it has supported or consented to is a crazy-quilt of the most disparate rags and patches. It is in favor of the French nuclear "strike force." It set up no serious roadblocks when Mitterrand opted for the Euro-missiles. It fomented no one-way "pacifist" agitation. Further: it accepts and shares responsibility, and has for more than a year and a half, for that tough economic austerity policy to which the

socialist government was forced, in the wake of its initial rashness and its chain-reaction nationalizations. In short, painful though it may be to admit it, the PCF, notwithstanding all its clumsiness and ham-handedness, is working today as a stabilizing force in French society.

6. The PCI had an opportunity similar in several respects to that of the French Party (even, actually, more advantageous) between 1976 and 1978, with its "national solidarity" policy. If it had had the strength to hold onto that edge, not only would it have won that "legitimacy" it has since sought in vain in ideological revision (and even that was not a thorough job); it would, in practical terms, have routed all the maximalism, all the populism, all the two-bit utopian rebellion that still barnacles its hull. It would, in short, have proven itself a "government party" in practice. And it would have accomplished the more effective revision "in re ipsa": which is to say through the political choices and acts of that government in which, sooner or later, it would certainly have played a part.

How things actually turned out, though, is history. Courage, or the political determination to stick with that "historic" experiment was lacking. Berlinguer took fright at the first hint of losses at the polls: as if that price were not paid and as if the historic operations could have been painless, cost-free, like the nuts in stuffed figs. And since, on the other side of the coin -- that is, ideological revision -- it had gone only halfway, refusing to recognize the ineluctable conclusion pointing to Western social democracy, the PCI not only floundered out of the mainstream, but wound up in a blind alley.

7. Symptomatic of all this is not only the isolation and the political vacuum to which the Party is confined. Even more, it is the abortive and confused state of the "ideological revision, left where it was when the half-finished task was dropped. The PCI has not been a Leninist organization for years, nor yet is it still subject to Moscow's discipline. And yet, even after demolishing almost every pillar of the old ideology, it remains, in some way or another, wholly under the sway of what I will not call a "theory of the revolution," but rather an irresistible and inchoate impulse toward radical change and toward the "absolutely new." In other words, the PCI yearns for a totally "other" society (even though it admits it cannot define that society.) It is determined, at all costs, to "break out of the system" (as Berlinguer emphatically repeated in his recent article on Allende). It is committed to the quest of that genuine philosopher's stone known as the "third way," and with a faith so intense and so pure as to admit that, even though that way is not to be found on any map, it must nevertheless be found and traveled.

From a theoretical and cultural point of view, naturally, all this travail is utterly innocent. That is not the case, when one looks at it from the political angle. What this talk about the "third way" expresses, in fact, is the Party's inability to identify with the West. And inside that simple incapacity, as in a nutshell, everything is contained. All-out anti-Americanism. An affectionate eye towards Moscow, in spite of everything. That Third-World populism (Ingrao's fulminations in front of Khomeyni!) And, lastly, a profound and ineradicable hatred for the PSI, every time it fails to recognize its own historical subordination and inferiority.

8. What will the PCI do now, facing the Craxi government, which is just now taking its first steps? The analysis being done right now in the warrens of the Botteghe Oscure is quite a different story from the one being ladled out to the Party members. The Party summit is acutely aware that the situation is totally different from the one that faced the Center-Left in the Sixties. The 26 June vote stripped the DC of its "central" position. The political ambience is therefore no longer in equilibrium, but in motion. And that means that either it is freed up, which is to say open to profound shifts in parties and in interests; or that, in the course of this redistribution of weight, the staying power of the Italian political system as a whole is also at stake. In a word, there are only two choices: either we move toward establishment of a new equilibrium, or there is danger of smashing the whole structure. And it certainly does not require excessive intelligence to understand that the two alternatives coincide, respectively, with the possibility that the Craxi government can last and work effectively for 2 or 3 years or, vice versa, that it will sink on launching.

In a situation of this kind, a great political party, endowed with daring and a sense of responsibility, should be able to shun the temptation of "the worse things get, the better." Should be! But I for one would certainly not be ready to bet the rent on it. In any case, this is the dilemma. And we shan't have to wait long to see how it will be resolved.

6182

CSO: 3528/8

PROMULGATION OF LPA RESULTS IN CLARIFICATION, CONFLICT

Madrid EL PAIS in Spanish 24 Oct 83 p 17

[Article by Alex Grijelmo]

[Text] Madrid--The BOLETIN OFICIAL DEL ESTADO [State Official Bulletin] has now published the Autonomous Process Law (LPA), which puts into one package all aspects of the Organic Law of the Harmonization Process (LOAPA). The promulgation of the new text, dated 15 October, has gone unnoticed in a week monopolized by reports on terrorism. This notwithstanding, the official publication of the LPA with the differences it presents vis-a-vis the original draft and, therefore, the decisions of the Constitutional Tribunal have increased the differences in the implementation of autonomy between communities which went by the provisions of Article 151 of the Constitution and regions which followed the "slow" process of Article 143.

The PSOE and the UCD had been introducing their autonomy accords--signed on 31 July 1981--into every draft document which came into their hands. The Constitutional Tribunal declared 14 articles of the LOAPA, the product of those accords, to be partially or totally unconstitutional. However, some of the paragraphs which the tribunal considered restrictive of autonomy will continue in force in the statutes of the "regions cited in Article 143" and in the accords of their joint transfer commissions.

For example, two of the articles annulled by the Constitutional Tribunal will continue paradoxically to affect most of the autonomous regions established after that of Asturias which followed Article 143 of the Constitution, after approval of the four previous statutes (Basque Country, Catalonia, Galicia and Andalucia).

Thus, in Article 23 of the LOAPA, it is stated that "the royal decrees on the transfer of services which approve the proposals of the joint commissions will have as their objective 'complete material and organic blocks' (...)." That mandatory requirement to effect transfers of complete material blocks, which was declared unconstitutional, is nonetheless an integral

part of the statutes approved successively beginning with the statutes of Asturias.

In this regard, the text prepared by the Constitutional Tribunal explains that the homogeneity envisioned for the transfers "could be, and in fact has been, the result of a political option open to the entities which have the responsibility for adopting the accords but cannot be the result of a juridical imperative external to such entities." That is: the complete blocks can be negotiated by the parties but not imposed by the state.

Such considerations are also applicable to Article 24, which were similarly declared unconstitutional but whose provisions have been applied up to now pursuant to the accords of the joint commissions. According to Article 24, which was annulled by the tribunal, "The effective dates of the transfers will be from 1 January to 1 July of each fiscal year." This requirement which was envisaged by the LOAPA and which in that draft is unconstitutional has been applied nonetheless by the majority of the joint commissions of communities established subsequent to Asturias.

Statutes Affected by the LOAPA

The spirit of the autonomous accords and the LOAPA was integrated into many articles of the statutes of those communities.

Different articles now promulgated will affect the "regions cited in Article 143," although with isolated exceptions, because the statutes already include them almost verbatim, while it is unlikely they will have an impact on statutes which did not incorporate those obligations. This is due to the fact that the high tribunal has declared that the LOAPA is not organic or a coordinator and, therefore, is situated at a level inferior to the statutes.

Article 15 is one example of the indirect coverage of the LOAPA, which has to do with the deputations of single-province communities. It is incorporated almost verbatim in the statutes of Asturias (Article 20 and the second provisional clause), Cantabria (Article 31 and the third provisional clause), Madrid (fourth provisional clause), Murcia (Article 18 and the second provisional clause) and Rioja (Article 14 and the first provisional clause).

What is more, the statutes established subsequent to the issuance of the LOAPA incorporate, more or less extensively, the matters which constitute the central core of Title II of the annulled law, that have to do with the administration of services proper to the autonomous communities by the regional deputations. Among them, Article 25.2 is analogous--almost verbatim--to the royal decrees which approved the norms of the joint commissions and which specified the extremes that the transfer of services accords should include.

Also, some points of Articles 31, 32 and 33 of the LOAPA (rights of transferred civil servants) have an obvious similarity to the provisional clauses of the statutes, for example, to the fifth provisional clause, paragraph 5, of the Castilla-La Mancha statutes.

Furthermore, the tribunal's decisions even recognize the fact that Title IV (Articles 23 to 28) of the LOAPA, which has to do with the mechanisms for the transfers, has a purpose already in large measure attained, "as almost the totality of its text is incorporated in all the autonomous statutes and decrees of the joint commissions approved subsequent to the preparation of the draft."

8143

CSO: 3548/61

VON SENGER, ETTERLIN ON MILITARY OPERATIONS

Herford EUROPAEISCHE WEHRKUNDE in German Aug 83 pp 363-367

[Article by General Dr. Ferdinand M. von Senger and Etterlin, Commander of the Allied Fighting Forces in Central Europe, after his lecture before the Royal United Services Institute, London, 2 February 1983]

[Text] Introduction

Military history and war history cite many examples of superior mobility or superior fire power on one side having been the basis for a successful operation or even a victory. But examples where both superiority factors were combined are relatively rare. When such was the case, an overwhelming victory was generally the consequence. But all too often we find examples of history where technological developments were indeed made militarily useful but were not converted into tactical or operational concepts by the military leadership of the time. A famous example is the development of firing power that occurred by the year 1905. In this year, this became so effective in the Russian-Japanese War that the infantry on both sides remained stuck in trench warfare. Although they witnessed this event, the leading European military powers in the year 1914 sent their infantry and their cavalry into heavy MG fire from reinforced positions, with devastating consequences.

Another example from more recent history is the inability of many Western nations to use enormous gains of fighting power which resulted from the mechanization of large portions of the land fighting forces in the armies of the 20's and 30's. This mechanization offered five times as much mobility and went hand in hand with technical developments which considerably increased firing power. Tactical airborne forces for directly supporting the ground fighting forces increased firing power still more.

In 1930, General Sumerall, the Chief of Staff of the US Army at that time, expressed the following opinion: "The extreme progressives are prophesying a future army which will consist exclusively of significantly stronger airborne forces than have been known hitherto and of ground fighting forces on very high mobility, which are capable of moving rapidly both on roads and in the open terrain under tank protection and which will be equipped with automatic high-power weapons including chemical weapons . . . a more moderate opinion indeed does admit that mechanized forces have value as strong auxiliary forces, but makes the restriction that mo-

bility and impact power have never been the only desirable attributes of fighting forces, and that such forces must pay for their mobility with a loss of firing power. Just as, in the past, we had no armies consisting exclusively of cavalry, so for the future we do not envision an army which is fully mechanized."

I have not quoted General Sumerall in order to hold before your eyes his inability of envisioning a completely mechanized army. I only wanted to clarify through this example that here an opportunity was missed of coupling firing power and mobility to form a superiority that would be decisive in warfare. In the defense of General Sumerall, I also should add that his views were shared by many of his contemporaries in other leading industrial nations.

At the beginning of the 30's, the Soviets had set up numerous large motorized units which comprise all kinds of weapons. They could be used not only tactically but also operationally and were independent of the remaining parts of the fighting forces. They had produced a large fleet of combat cars and performed maneuvers with these at the level of the division and corps. These maneuvers had such an extent that Western observers could not believe their eyes and thought that, as in the times of Catherine the Great, they were witnessing "Potemkin villages". But already in 1937, the Russians had destroyed, scrapped, and dissolved the mass of these large motorized units and distributed the remainder to their infantry. The reason for this suicidal mode of action was wrong conclusions drawn from small wars which took place just at this time, such as e.g. the Abyssinian War and the Spanish Civil War. In terms of their political, financial, geographical, and technological circumstances, both were only limited wars, and the large military powers participated in Spain only with experimental troops. The battle actions were carried out mainly by the infantry--and the mass of the combat tanks in Spain were used to support the infantry. The information derived therefrom was erroneously projected onto the tactical or even strategic plane.

Through such conclusions, the military planners in the West and East were led astray and they missed the opportunity of giving to their fighting forces that deterrent value which could have kept Hitler from his aggressive intentions.

The New Dimension

This historical look backwards on the effects of correct and erroneous estimates of changing technical opportunities as regards mobility and firing power of fighting forces should be sufficient. Such examples, however, are quite helpful to recognize a situation that is delineating itself currently in the West.

By applying very simple, perhaps somewhat simplistic criteria, one can observe that, after an intermediate stage of full motorization, all important armies today have reached the stage of full mechanization. With certainty, this concerns the combat troops of the ground fighting forces who face each other in the region of Central Europe. The mobility of these troops on the battlefield has risen since 1943 from 4 km per hour to about 20 km per hour.

This is certainly a modest figure in the age of space travel. But at the same time, firing power has been increased quite enormously, especially through nuclear weapons. As I already explained in the introduction, the superiority of

only one factor is not a guarantee for success, and only the combination of superior mobility and superior firing power gives the military commander the instrument by means of which he can lead decisive operations.

In the area of Central Europe, we are still facing a numerically superior opponent, an opponent who will try to penetrate quickly through our thin line of defense. An opponent who, in order to achieve this, is evidently developing a concept for "operational maneuver groups" and for airborne attack groups and thus combines mobility with firing power. How can we in NATO, counter this threat with our numerically limited forces? There is only one answer to this: We must bring our mobility into harmony with the increased firing power. For this purpose, we must recognize and fully utilize the opportunities which technology gives us.

It is my conviction that only an aircraft opens up these possibilities, not a vehicle which is bound to the ground. At this point, I immediately must make clear that an aircraft in the conventional sense is not meant here. The helicopter can also be eliminated. Both are surely suitable to increase operational mobility and to transport rapidly conventional troops which are not tied to the ground. Once these troops have been set down, however, they have only a limited tactical value since they are less mobile and protected than mechanized forces. Combat with associated weapons does not reach any new dimension with this large but nevertheless limited mobility. Operations of light air-mobile units against a fully mechanized opponent are not very promising without further support. We should not allow ourselves to be fooled by experience from the war in Vietnam, which was limited politically and thus also militarily, and which was fought under quite unusual terrain and force conditions. The transport aircraft and the transfer helicopter therefore are not the desired technical solutions. We need an aircraft which permits the step from the intermediate stage of "air mobility" to "air mechanization". The transport means must become a combat means.

The US Army was one of the first to pursue these ideas, and it developed the combat helicopter. This technology already today offers capabilities which already extend noticeably beyond previous combat helicopters. We can start from the idea that in the not too remote future an air vehicle will be in the range of the technically feasible, a vehicle which, quite simplified, has the following properties:

- maximum speed about 300 km/h
- range about 600 km
- useful load about 2 tons, most of this weapons
- permanent hovering capability
- take off and landing capability on any terrain
- all weather, very low flight, and night combat capability.

High logistical requirements and vulnerability against attack from the air and from the ground are often cited as disadvantages for the helicopters and their successors.

As regards vulnerability, I believe that fast helicopters with a great rising and falling speed as well as with the capability for fast curved flight will present a difficult target for most modern fighter interceptors. In a war theatre, which includes highly developed air defense systems, such as is the case in Central Europe,

one can start from the idea that modern aircraft of the type that I have described above would have a good survival chance if they were to operate while utilizing the terrain and under the protection of these air defense systems. Naturally, a certain amount of protection from the air would be necessary if these aircraft were to maneuver in larger numbers during the preparatory phase of an operation. Direct danger through troop air defense of the enemy would not exist, since it would not be necessary to deploy them above enemy-occupied territory.

The larger logistical effort, similar as was required at the time by conversion to mechanized fighting forces, would be the unavoidable price for technical progress. The significant increase of combat power would compensate for this disadvantage.

One of the many advantages which this new dimension offers would be a tenfold increased deployment speed than is achieved by current weapon systems or formations of ground fighting forces. Another advantage would be a nearly unlimited capability for dispersion, whether during movements in the depth of the war theatre or whether in the combat area itself. The capability of rapidly forming filing centers would be very much higher than the mechanized fighting forces. The possibility of choosing between various types of weaponry would likewise allow great flexibility. Our aircraft could be equipped with the most various weapons, whether for area attack or for attacks against small, hardened targets. I would like to call our aircraft the Main Battle Air Vehicle (MBAV) and will use this designation in my further discussion.

General Concept for Mechanized Airborne Forces

Now a word regarding the concept. Whether the possibilities of the new dimension of which I was talking can be completely exhausted will depend very much on the organizational structure and the deployment concept of this new formation. Since the days of the HOWZE Board with the Tricap Trials in Fort Hood, there have been several attempts to work out developable concepts. At this time, the 101st Air Assault Division exists within the American fighting forces. This division has more than nine battalions of light, air-mobile infantry and its own combat support troops including a considerable number of helicopters. In the future, the tank divisions of Type 86 should also always have a combat helicopter brigade. An interesting example is the 6th Combat Brigade Air Cavalry, a very mobile striking force for combat against armored forces. This force comprises about 2500 men and more than 150 helicopters, many of these combat helicopters. It has the task of supporting ground fighting forces in combat against tanks. For the sake of completeness, I must mention that the French have also made progress with their "Force d'Action and d'Assistance Rapide (FAAR)". We have now mentioned all important concepts for the formation of combat helicopter units on the Western side. Up to now, these have been developed on a purely national basis, but I believe that we can fully utilize the new dimension only if NATO and the most important allies pursue these concepts in joint efforts and with inclusion of all the forces.

From past experience, we know that we must follow certain general principles for organization and deployment. The first general principle for the organization should be not to distribute the new units among the old ones, but to collect them in independent large units. Each unit should be tactically and logistically independent and, as a truly mechanized airborne unit, should have the MBAV available as its main weapon system.

The second general principle holds for the deployment of the units. The tenfold increased mobility and the capability of deploying firing power in a broad spectrum makes it necessary to separate these units from the tactical and operational principles which hitherto have been valid for conventional mechanized ground fighting forces. This new doctrine must take into account combat under all weather conditions and terrain conditions, in nuclear and conventional war, and in all types of battle, whether it be attack, defense, or delay. I will discuss the deployment concept in more detail shortly, but first a few remarks concerning the composition of our mechanized airborne forces.

The Organizational Concept

The basic formation should be the tactically and logistically independent mechanized airborne brigade (Appendix A). Organic brigade units of company size will take up special tasks such as ELOKA and reconnaissance, protection against any aircraft, and combat against hostile helicopters. The fighting units should be two battalions each with 24 to 28 main battle air vehicles, collected into companies with about six to seven MBAV's as well as the required command and observation aircraft. The tactical independence of the mechanized airborne brigade can be achieved only if it is independent of ground troops which do not belong organizationally to the brigade. However, it may be necessary to have the brigade supported by infantry, in order to compensate still existing limitations of helicopters, especially in night combat and in their capability of holding terrain for a longer time. This infantry should be assembled in airborne mobile brigades and should have available large amounts of long-range anti-tank vehicles of the TOW or HOT class with night combat capability. Transport helicopters must be part of its organization, so as to compensate by mobility the lack of armor protection and the resulting vulnerability.

An air transport brigade would secure air transport for the mobile brigades and for the logistical support groups which both brigades require. It would comprise about 60 transport helicopters which would be capable of transporting a battalion all at once.

The organizational concept would find its logical continuation in an assemblage of the mechanized, mobile, and transport air brigades in a logistically and tactically independent mechanized air division (Appendix B).

The Deployment Concept

We shall now consider the deployment concept somewhat more precisely. Corresponding to the previously mentioned general principles for organization and deployment, these forces should have the following special tactical characteristics.

- The mechanized airborne forces must be capable of combating strong mechanized ground fighting forces and airborne mechanized forces of the enemy.

- Their weapons complement should make them capable of combating all weapons systems of the enemy ground fighting forces and mechanized airborne forces.

-The mechanized airborne forces are not subject to terrain obstacles; even completely devastated and dangerously contaminated sections of terrain present no obstacle.

-The vulnerability of the airborne mechanized forces is so reduced in motion and, in rendezvous areas, by dispersion and by their own air defense that it is considerably less than that of large marching columns and assemblages of vehicles.

So much for the characteristics. Permit me now to explain how I imagine deployment of these forces. The mechanized airborne unit will attack from rendezvous areas which are situated 200 to 300 km from the battle area. Shortly before attack, some sections will fly into forward positions, and supply points will be set up there.

In defensive combat, the mechanized airborne unit has the task of defending its combat strip with fire and of destroying every enemy who penetrates into this area. The combat strip, however is occupied on the ground only by small support points and observation elements, who hold selected key terrain by day and night. This tactic corresponds to the classic principle of area defense: The forward sections secure the terrain and lead the forces of the unit who are deployed for counter-attack.

Because of its great mobility, the airborne mechanized unit is especially suitable for fighting a delaying combat. MBVA's can stop the advancing ground fighting forces for a long time at natural obstacles. If the enemy is deploying strong forces in order to overcome the obstacles, more MBVA's, which have been held in reserve for this purpose, can be flown rapidly forward and can be deployed from previously determined positions.

The airborne mechanized units are especially valuable as operational reserves. The use of ground-bound reserves of the ground fighting forces is probably strongly restricted in Central Europe through the effects of enemy interdiction from the air, especially in nuclear combat. On the other hand, the mobility of the airborne mechanized forces in this case would come fully to the fore. Its large action radius would permit deployment nearly at any point in a sector of an army group or even in the entire war theatre. They could sustain the main effort of a counter-attack, whether in conventional operation or in preparation or utilization of nuclear fire.

The Implementation of the Concept

After I have presented this concept, I would stress the observation that even today it would already be possible, from existing forces in the area of the chief command in Central Europe, to assemble units which would have available a considerable portion of the desired capabilities. The airborne mechanized brigades could be formed from already existing anti-tank helicopter units of the army aviation, and in the case of the French, from the "Force d'Helicopter Antichars (FHAC)", although at the present time these helicopter units are distributed among the divisions and corps. I estimate that, (without the French), it would be possible to form about half a dozen airborne mechanized brigades of the type described above.

The airborne mobile infantry brigades, which are supposed to support the airborne mechanized brigades, could be formed of already existing light infantry units, such as the French Division d'Infanterie, the German air landing brigades, the British 19th and 24 th infantry brigades, and the units of an American light infantry division.

The transport capacity which is required for half a dozen battalions likewise exist in the area of Central Europe. German light and medium army aviation transport regiments, American transport and multi-purpose helicopter units, and British army aviation and airforce helicopter units could be collected together to form the above mentioned air transport brigades. All together, we would be capable of setting up about half a dozen airborne mechanized divisions, which again could be brought together under the command of a higher command authority.

It surely would not have escaped your attention that I have scarcely touched upon, in my explanations concerning the new dimension, the possibilities of using the airborne mechanized forces in a nuclear combat. For reasons of time, I have passed over this, but I emphasize that the concept presented here is especially valid for nuclear combat.

Summary

Finally, allow me once again to underscore my conviction that improvements in ground fighting forces can be found only in such a new dimension. The step into the future must have as its objective to combine airborne mobility with the existing technology of superior fire power, and to create a new type of weapon from this combination. A type of weapon which serves not only to improve the effectiveness of existing weapons types, but which has the purpose of opening up new operational dimensions. If we use the potential of the airborne mechanized forces only in dependence on conventional fighting forces with limited mobility and firing power, we make the same mistake as our grandfathers, who, in Flanders, exposed conventional infantry in large numbers to the machine gun fire from fortified positions, or like the generation of our fathers in the thirties, when they subjected the battle tank to the laws of the infantry.

The combat helicopter is the precursor of the future main battle air vehicle. Already now, we should have the foresight not to "fritter away" these weapons systems. Much rather, they should be used to test the organizational concept and the tactical operational principles for airborne mechanized units, such as I have presented to you. The possibility that our fighting forces may be involved in nuclear combat increases still more the value of the type of units which I am promoting here. Political hindrances should not prevent us from using our imaginative power for trying out new organizational forms and tactics. In the ground fighting forces, we had difficulties for a long time of being able to master conceptually the problems of tactics in nuclear combat. These difficulties still exist but must be overcome, by deliberately exhausting the possibilities for increasing mobility, possibilities which technology offers to us. We can be quite sure that the Warsaw Pact proceeds in this manner. What we need is an independent combat troop which comprises all weapons, a type of "state within a state", in which the new dimensions of airborne mobility and firing power are combined.

Vigilia pretium libertatis. Vigilia means not to stand still and wait but to look ahead and plan for the future.

CONSERVATIVE CRITICISM OF 1984-1988 BUDGET

Paris STRATEGIE ET DEFENSE in French Jun/Jul 83 pp 4-9

[Article by Yvon Bourges, SRP senator; minister of defense, 1975-1980: "Observations and Proposals On Military Programming"]

[Text] With the presentation of the draft law on military programming the government has finally revealed its defense policy.

The observations made here are not inspired by any sense of systematic opposition. If there is an area where it is desirable to have a broad, national consensus, it is certainly in the field of defense. However, on so serious a subject, we should not be satisfied with appearances or pretexts.

The Statement of a Policy Reflecting Continuity

The analysis of the international situation and the missions which flow from this analysis for our forces, as well as the resources recommended for those missions, all reflect continuity with the defense policy followed from 1959 to 1981. This continuity is all the more remarkable when we recall the criticism made of this policy in the past by the socialist opposition.

Therefore, we are going to follow a program of nuclear weapons; the renovation of the Navy and the Air Force, whose basic components are not in question; and the modernization of the Army, whose missions remain unchanged. No doubt because the government has taken the realities into account and has recognized the demands of our national interest, it is not introducing any innovations. Unfortunately, it is not providing itself with the means to implement the policy it has adopted.

The Same Procedure As That in the 1976 Military Programming Law

As in the case of the four preceding military programming laws, military programming does not "follow a plan." Like the 1976 law, it is expressed in appropriations covering all the expenditures of the armed forces (operations and investment). Such a commitment is a constraint on the government and a guarantee for the armed forces, as was noted during the period from 1977 to 1981, under equally difficult economic conditions.

The draft law sets out the overall defense appropriations in current francs. The correctness of this forecast depends on the future evolution of economic factors. In this regard the assumptions used for the growth of production and the rate of inflation seem rather optimistic. No doubt this is why the government plans to present a financial re-evaluation report in the fall of 1985. Between now and that point--for the 1984 and 1985 budgets--the forecasts are clearly inadequate. No doubt there is hardly any criterion to use as a point of reference which could provide any absolute guarantee of the value of the resources committed over a period of 5 years. To us the essential point seems to be that the military budget is assured of growing to a desired extent, which reflects the priority accorded to the security of the country. In this regard, earmarking to the military budget a more substantial and growing percentage of the Gross Domestic Product [GDP] would make this point unmistakably clear.*

The government declines to earmark such a percentage of GDP to the military budget because it intends to limit the effort made in this field: national defense no longer has an absolute priority.

Confirmation of This Fact: Halting the Efforts Made for Defense

In presenting its first military budget for 1982 the government did not respect the 1976 law, as it limited the budget of the armed forces to 3.89 percent of PIBM [Average Gross Domestic Product--AGDP], instead of the 3.94 percent contained in the law. To explain this failure, the government argued the need to have 2 years to make up for shortfalls in certain weapons programs. We must say that this was only a pretext:

--The 1982 budget was reduced by 13.4 billion francs in program authorizations and 3.25 billion francs in appropriations for expenditure, which led to the cancellation of major procurement programs (no combat aircraft were ordered, for the first time).

--The 1983 budget has been held at the same level of 3.89 percent of PIBM, and the objectives of the 1976 law will not be reached.

--In 1983 the freezing of 20 percent of the program authorizations until after 1 November amounts to putting off many equipment procurement programs for 1 year.

Finally, instead of catching up on shortfalls from the past, delays in these programs have seriously increased.

The current military programming law is based on this same refusal to make the effort needed for national defense. The scale of military appropriations has been calculated on the basis of a definitive limit of 3.9 to 4.0 percent of PIBM. The growth of the military budgets for 1984 and 1985 is limited to 6.6 percent. We already know that in 1983 the rate of inflation will be at least 10 percent, which

*The administration of President Giscard d'Estaing never sought to limit military appropriations to 4 percent of PIBM, as the present minister of defense gratuitously states. For my part, I prepared the military budget submission on the basis of an assumed 4.5 percent of PIBM.

means that the prospective purchasing power of the armed forces for 1984 will be less than the already reduced purchasing power in 1983.

As it is aware of these inadequacies, the government is dangerously limiting the procurement of weapons and materiel for the next 2 years. Thus, for 4 consecutive years there has been a drastic reduction in the procurement of equipment for the three services, which amounts to a very regrettable delay. After 1986 the forecasts are more encouraging. Doubting the credibility of this promise or this wager on the future does not mean questioning the intentions of the government, as the very credibility of the economic foundations of this forecast has been compromised, beginning with the first year this law has been in effect.

A Refusal to Choose

Since it is limiting the effort made in support of national defense in this way, the government really cannot pursue the defense policy undertaken by its predecessors in power. Under such limitations certain choices are required to ensure that we have a coherent military structure. The government does not want to make these choices. It prefers not to challenge anything and take the easy way out, which will avoid the need to open up a fundamental debate in the full view of public opinion and within the armed forces. The government is pretending to do everything, without having the means to do so. The draft military programming law is a catalogue which, at first sight, may make an impression, but which is based on excessive delays in completing the various programs, due to a lack of adequate appropriations. Appearances have been preserved, but not the operational capabilities of the armed forces.

Nuclear Deterrence

The statement is a striking one: the security and independence of the country are based on a policy of deterrence, supported by a national, nuclear arsenal, the threat of whose use will preserve our territory against any aggression.

The essential element of deterrence is the level of damage which we are capable of inflicting on an aggressor. It is the extent of the destruction which our weapons could inflict which will make the aggressor give up his intentions, as he cannot conceive of suffering such damage. As is stated in the draft law on military programming (p 8): "This capability must be such that even in the case of a second strike, a sufficiently powerful response can be ensured." What does this mean, and how does the draft bill affect it?

The efforts made over a period of 23 years have had the purpose of developing the capabilities of our nuclear forces. With the entry into service of the first elements of these forces, we were able to speak of our "little bomb." Gradually, as our nuclear arsenal was further developed, its credibility grew, and today no one--in France or elsewhere--has any doubt about the power and capabilities of our nuclear forces.

It is still necessary to realize that we have not reached the end of the effort we must make. With four SMLB [missile launching nuclear submarine] provided with 16 missiles each, 40 Mirage IV aircraft, and 16 surface to surface missiles, we pose a formidable but minimal threat to an aggressor.

The Pursuit of the M4 Program: a Happy Example of Continuity

To increase the level of the threat we pose to an aggressor and to strengthen the credibility of deterrence, the M4 program was undertaken in 1978. This program provides for the construction of five nuclear-powered submarines provided with 16 missiles each, with every missile carrying several nuclear warheads.

The first submarine of this type--the "Inflexible"--which is due to enter into service at the beginning of 1985, will deliver by itself almost as many nuclear bombs as all of the three existing components of our nuclear deterrence force.

From 1985 to 1990 four of the present SNLE's will be converted and equipped with new missiles, at the rate of one SNLE every 18 months. The new draft military programming law does not interfere with this program.

That involves an extremely important, positive decision which ensures a decisive strengthening of the capabilities of the strategic oceanic nuclear force [FOST]. We can only approve this action, because this force, among all the components of our nuclear deterrence effort, is best adapted to our country. From the ocean depths and outside our national territory it ensures that a response will be made to an aggressor.

The necessary Strengthening of the FOST

Although the course of action adopted in 1978 for our Strategic Nuclear Force [FOST] is the least costly, the most rapidly completed, and the most effective solution to our security problem, it limits the number of SNLE's to five until 1991. As one of the five submarines is in drydock (according to schedule) at any given time for a major overhaul, in reality--and specifically, since 1979--we have four SNLE's actually committed to operations.

By reducing periods of maintenance and extending the length of patrols, since 1983 the FOST has provided for the constant presence at sea of three SNLE's. In that way our submariners are showing their great ability to function, but this is a situation which is not without risk. If we really want to make sure that three SNLE's are permanently on station at sea, we would have to have available an additional SNLE of the M4 type. Let us add that if three M4 SNLE's can cause considerable damage to an aggressor, it is desirable that this threat be increased in case of crisis. The present fleet of SNLE's only makes it possible to increase their number by one more missile-firing nuclear submarine. These considerations should have led to an immediate strengthening of the FOST, which is all the more justified as the threat to our submarines by progress made in detecting them is still rather far into the future. The lesser firepower of the M 20 missiles of the "redoutable" and the withdrawal from service, after 1985, of 22 Mirage IV aircraft strengthen this argument.

Essentially, the government is holding to the program approved in 1978. However, this only constituted the first element in the strengthening of our strategic

nuclear forces in the course of the present decade. This program does not give to deterrence the priority which the government boasts of.

The Strategic Nuclear Forces of the Year 2000

In the absence of providing right now for an increase in our nuclear striking forces, the government is announcing the development of two components of our strategic forces: a new SNLE M5 in 1995 and, after 1996, a mobile surface to surface missile. During the years from 1984 to 1988 research and development appropriations will be committed to these projects as necessary.

It is the choice of these two systems which must be debated. For the strategic submarine force the question is how to maintain its invulnerability. Nothing as of this point would justify questioning the value of this component of our strategic forces, and we approve of the entry into service of an SNLE M5 which will replace the "Redoutable" and which, if it is followed by one more SNLE M4, would then in effect be the seventh strategic nuclear submarine in 1995!

Is the abandonment of the air to ground component of our strategic forces unavoidable? If this involves establishing a specific air to ground force, it would undoubtedly be unavoidable, because the cost of such a force would be prohibitive. However, if we have a twin jet combat aircraft, as will likely be the case with the ACF project, and if we develop the technical capabilities (range, navigation, penetration) of the ASMP weapons system, this could be all the more interesting because it is not a ballistic system.

Regarding the surface to surface missile launching component, it is desirable, not because it might replace the Mirage IV aircraft, but rather to ensure a nuclear response whenever the invulnerability of missile-launching nuclear submarines comes into question. For we must have a second strike force which cannot be compromised by a possible first strike. This is a difficult problem for the deployment of a system which cannot be attacked in a territory as limited in size as France.

The time necessary for research and development covering a new generation of strategic nuclear forces for the end of the century justifies, if it does not require, an immediate strengthening of the present submarine component of our strategic forces, the only one for which we have delivery systems and weapons whose technical aspects and costs we fully master.

Tactical Nuclear Weapons

The report on the draft law on military programming recalls that the French deterrence system is of the "weaker country against the stronger country" type. It would not be sensible to leave ourselves in a situation where we could only respond to aggression with a full strike of our strategic nuclear weapons. In case of a threat to the vital interests of our country we need to have the possibility of deterring the aggressor from continuing his attack. This warning role has been turned over to tactical nuclear weapons intended for attacking the armed forces of the aggressor at an appropriate level.

Given the present composition of our nuclear forces, these warning weapons are in the hands of the Air Force (the FATAO [factual Air Force] or Navy aircraft embarked on aircraft carriers) and the Army (regiments handling the "Pluton" missile).

In the 1970 military program the development of a medium range air to surface missile was undertaken, which will enter into service in 1965 in the FATAO and which will be carried by "Super Etandard" aircraft embarked on aircraft carriers. This missile will represent considerable progress, linked to the performance of the Mirage 2000 aircraft and to missile penetration conditions with an M4 nuclear warhead.

The use of this component signifies a particular degree of flexibility, as an aircraft can deliver nuclear weapons under conditions involving high speed, the ability to adapt to the objective (moving, by definition), and precision.

Moreover, this force could come under the national command of the armed forces and be directly linked to the political authorities.

The limited range of "Pluton" missiles and the requirement of stationing them on French soil have led to tactical employment closely linked to the Army. The "Hades" missile system, despite the extension of its range, will not bring any fundamental changes, even if it is deployed in greater depth in the military defense system. If this weapons system involves a warning function linked to deterrence, we don't see where the "Hades" system adds anything really necessary to what tactical air provides with the ASMP weapons system. It would be better not to reduce the number of air to ground tactical nuclear weapons and economize on a system like the "Hades."

The Conventional Forces

The report attached to the draft military programming law provides an excellent statement of the reasons why we must have conventional forces at a sufficient qualitative and quantitative level. This flows from the credibility even of the policy of deterrence, as the freedom of decision and action by the government cannot be placed in question by any kind of action (bypassing our forces, gaining an advantage). Our commitments in Europe, the security needs of overseas French territories, our obligations to friendly countries, the preservation of our vital interests and particularly of our communications and of supplies of essential commodities--all of these require the real, operational capability of our three armed forces. The draft military programming law responds only very imperfectly to these excellent principles, in the absence of providing the desired appropriations.

A comment must be made at this point. The reality achieved by programs for weapons systems and for military materiel depends on the respect for equipment allocations, within a given, overall budget figure. If operations expenditures went down from 59 percent of the defense budget in 1977 to 54.3 percent in 1981 and were theoretically at this level in 1982 and 1983 (in fact, these expenditures were larger because of cancellations of some programs and delays in using investment allocations), programming in fact is based on a reduction of these expenditures

to 46.0 percent of the military budget. This consideration adds to the doubts already expressed above regarding the assumptions used in terms of the credibility of the proposed program. If these assumptions are not borne out by reality, it is the conventional forces which will necessarily have to bear the consequences.

Army

The government has announced the adoption of a new organizational structure and a new strategy for the employment of the Army. In this regard, however essential it is, the draft law leaves us largely in ignorance.

Between 1970 and 1980 the Army was reorganized to strengthen all of its components that would be called on to participate in carrying out its various missions. Multiple roles, flexibility, and mobility characterized this reorganization. Now this effort had barely been completed when the Army was committed to a new reorganization. It is perfectly conceivable to envisage a different organization of the Army, but before beginning such an effort we need to be assured of the need for this change and its effectiveness. The report attached to the draft law provides the following indications on this reorganization:

- a reduction of 22,000 in personnel. This reduction is far from being negligible for an Army which presently can place only 100,000 combat forces in battle;
- the establishment of two new commands: a tactical nuclear unit related to the "Hades" missile system and the headquarters of a rapid deployment force;
- the activation of three additional regiments of helicopters;
- the restructuring of three army corps, involving 10 divisions.

How can you reconcile the establishment of these new commands and units with a reduction in personnel? Will the sought-for balance be found in a reduction of the presently modest effective strength of the various regiments? Won't the establishment of new commands for specialized missions lead to rigidity in employment and therefore to a lessened capacity for adaptation to different situations?

These are essential questions. Parliament should not pass on such a proposal without knowing the implications and the consequences. Even less should Parliament put its rubber stamp on this proposal.

It is important, therefore, for the government to state exactly what its intentions are before Parliament is called on to express its views on this draft law, because this change should not take place under the cover of adaptation to modern techniques, merely for the purpose of camouflaging the consequences of a refusal to make the necessary financial contribution or of irresponsible decisions like the reduction of compulsory military service to 6 months before the end of the president's term of office [1987], which means during the period covered by this military programming law. Essentially, the question is whether it is the Army's operational capabilities and readiness to perform its missions which is involved.

Added to the uncertainty about the organization of the armed forces is equal uncertainty about the equipment and armament of the various units. The effort undertaken since 1977 has been completely halted. In fact this effort has been halted since 1962. Since the prospects are that equipment orders for 1984 and 1985 will be very limited, the procurement of new equipment for the Army will be sacrificed.

The AMX 10 RC tank has been abandoned, as no procurement order for it has been issued since the 1961 budget, no doubt because of the reduction in reconnaissance units which it was to have equipped. Is the order of 60 helicopters for the 5 year period of the military program adequate for the force combining tanks and helicopters which the government wants to establish?

The total number of tanks will be reduced.

The proposed military program is of some interest, although it involves nothing new in the equipment of the forces. However, its inadequacy cries out loud. Spreading out its implementation over a period of time will involve a certain obsolescence in the equipment in service which the current receipt of new equipment ordered before 1982 camouflages. It is possible to doubt how much such a program will strengthen the Army.

The Navy Abandoned

The 1976 military programming law was not very generous to the Navy. Therefore, in November 1977 the government approved a more ambitious project called "The Navy in the Year 2000." And, from 1979 to 1981, appropriations for the construction of new units for the fleet reflected a substantial increase, compared to the provisions of the 1976 law. Annual ship construction went up from 6,000 tons in 1977 to 9,000 tons in 1979 and 16,900 tons in 1981. This effort very clearly affected the achievement of the program, which was to involve the construction of:

- 2 nuclear-powered aircraft carriers;
- 1 helicopter carrier;
- 27 Asw [anti-submarine warfare] and anti-aircraft corvettes;
- 16 gunboats [avisos];
- 14 attack submarines, 10 of which were to be nuclear-powered;
- 16 patrol craft;
- 40 anti-aircraft ships;
- 11 public service patrol craft;
- 7 transport ships;
- 8 fleet oilers;
- 6 support vessels;
- 2 multi-purpose repair ships;
- 3 ocean-going tugs.

To these 149 ships (not including the SNLE's) were to be added 90 combat aircraft, 4 Atlantic N 9 maritime patrol aircraft, 5 Gardian reconnaissance aircraft, and 3 public service aircraft.

The present draft law gives no indication of the composition of the fleet and the aircraft carrier force. We don't know whether the government intends to continue with the above program or not. This is clearly the first question which the government should answer.

Following the decision made on 18 October 1982, cancelling 1.85 billion francs worth of program authorizations and 593 million francs worth of appropriations for the Navy, the procurement program for 42 "New Generation Atlantic" maritime patrol aircraft was suspended, as was the order for 14 ships, including 1 mine sweeper and 1 oiler. Regarding the 1983 budget, it marks a further cut with the order for 2 corvettes of 7,200 total tons and the abandonment, by comparison with earlier provisions, of 1 mine sweeper and 4 patrol craft. Paradoxically, and despite the establishment of a Ministry of Maritime Affairs, the construction of 5 public service patrol craft was cancelled in 1982 and 1983!

As the Navy share of the military budget for 1983, 1984, and 1985 will remain at the same level of 18.2 percent, now can we believe that with an increase of 8 percent in the budget it will be possible in the future to launch 10,000 tons of new ships per year? The total number of new attack submarines has gone down from 14 to 12, and the number of SNA [nuclear-powered attack submarines] has gone down from 10 to 8!

It has been announced that the first new aircraft carrier will be completed in 1995. What will happen to the aircraft carrier "Foch," which, we have been told, will still be in service at the end of the century? There will be no aircraft procured to replace the Crusaders, now at the end of their period of service. Regarding the maritime patrol aircraft fleet, the 46 maritime patrol aircraft now in service will be reduced to 32. However, the draft military program only provides for the procurement of 16 such aircraft after 1988!

More generally, the orders announced are less than those provided for in 1980 (see the SIAPA [Stockholm Institute of Research on Problems of Peace] pamphlet on the operational capability of the respective armed forces) to achieve the goals of "The Navy in 2000" project (3 corvettes and patrol craft instead of 9; 3 nuclear-powered attack submarines instead of 4; 11 mine sweepers compared to 11 in the project mentioned above, although the delay in procurement of one ship in 1982 has not been made up; 4 patrol craft instead of 6). These figures clearly show that the reconstitution of the fleet is no longer sought with the desirable degree of determination. We see here an only too eloquent example of the progressive stretching out of programs, leading to worrisome obsolescence of equipment.

Regarding the reduction of Navy personnel by 3,500, this is particularly serious for the Navy (strength of 88,000), whereas, beginning in 1977, the personnel trend was in the opposite direction. This previous program involved restructuring the officer corps, with the purpose of creating 500 new positions; improvement of the personnel pyramid of non-commissioned officers; progressive strengthening in terms of enlisted men and specialists in particular. This was because the previous program responded to a pressing need.

The Air Force: No Prospects for the Future

The principles and objectives set out in the draft military program law for our Air Force are excellent. However, here also the content of the programs is not up to the level of the intentions expressed.

It is correctly stated that there is a need for an Air Force with 450 combat aircraft. The present combat aircraft fleet includes 114 Jaguars, 135 Mirage F-1's, and 205 Mirage III's. These last-named aircraft are to be withdrawn from service progressively.

Under order are 44 Mirage F-1's and 86 Mirage 2000 aircraft under the 1976 military program. (Between 1977 and 1981 178 combat aircraft were ordered--35.0 per year--and 199 Alphajet trainers--24 per year.) Under the new military program 165 Mirage 2000 aircraft are to be ordered, which should ensure the replacement of the Mirage III aircraft of the proper type, but more slowly than desirable, due to the cancellations of Mirage 2000 orders in 1982 and the inadequate number of Mirage 2000 orders in 1983, 1984, and 1985, a shortfall which amounts to a squadron of these aircraft. It is intended to make up for this shortfall with annual orders of 36.3 Mirage 2000 aircraft from 1986 to 1988!

We were happy to see that the budget still provides for the acquisition of low altitude reconnaissance aircraft. Although this project has been under way for 4 years, we can understand that evaluation of the different systems may not have made it possible to make a choice as yet. Therefore, we do not know either the purpose or the cost of the two budgetary provisions so far announced in this connection.

Regarding transport aircraft, the objective of acquiring about 100 aircraft is a pious wish, since the government has maintained the order for Transall aircraft from the previous military programming law (which provides for a total fleet of 80 aircraft). Meanwhile, the Transall production line which was started up again in 1977 will soon run out of orders under the 1976 law and will be closed down.

While we are waiting for a new fleet of long-range transport aircraft at an unknown time in the future, wouldn't it be prudent to order about 20 additional, new generation Transall aircraft?

Thus, the program for the Air Force brings nothing new. Our airmen will have a hard time keeping the existing fleet of combat aircraft at the proper operating level and taking care of their transport missions. From 1982 to 1988 the overall capabilities of the Air Force will not grow.

The Gendarmerie

The allocation for the Gendarmerie in the defense budget will stay at the average level it has maintained for the last several years and until 1985 (9.3 percent). Then it will decline to 8.8 percent between 1986 and 1988. The 1984-88 military program contains no new elements, and the overall equipment procurement effort will be rather less than it was from 1975 to 1982. The increase in manpower by having recourse principally to an increase in the number of "auxiliary" conscripts

really will not provide any additional strength to an element of the armed forces whose missions continue to grow. In this regard the military programming law should provide for increasing the number of career personnel who alone will make possible greater effectiveness and a greater availability of manpower.

Manpower

The report attached to the draft military programming law seeks to strengthen the idea that the government "is renouncing the idea of having large armed forces with obsolescent equipment." We have seen that the new equipment on order is inadequate in quantity and less than what was being procured during the 5 previous years and that, because of the fact of stretching out orders excessively, the equipment in service in the armed forces will necessarily become more obsolescent.

Regarding our armed services, they were adjusted to the necessary number of personnel a long time ago. However limited it may seem, the new reduction in personnel imposed by the draft military programming law (the 1976 reform had already cut 20,000 men from the Army) will be painfully felt in the armed forces. Regarding the 500 jobs eliminated in the services and the 3,500 jobs eliminated among civilian employees, Parliament should know where and why these jobs will be eliminated.

Research and Development

The government has just made a major case out of the contribution of the defense budget and the resources contained in it to the national scientific and technical research effort, which is so necessary for our future. The specific systems and procedures placed in effect at the Ministry of National Defense in 1976 and 1977, the establishment in 1979 of a budgetary line item keeping research on the rise, and particularly the growth of appropriations for research and development reflected a determination to devote to the achievement of scientific and technical progress an effort equal to the stakes involved. We can only rejoice at seeing the government continue its efforts in the direction already being followed.

However, we must note that in the area stated to involve a high priority effort, that of nuclear deterrence, certain experiments in Mururoa [French nuclear test site in French Polynesia] were suspended in 1982, and in 1983 test shots were delayed; that orders for certain equipment for the test sites were cancelled; and that the program for the new M5 missile is not certain of meeting the deadline of 1995 for the entry into service of the first production model of the third-generation SLLM missile. Regarding the reconnaissance satellite useful for deterrence purposes, it should be noted that the SAMRO project was abandoned in 1985. Will the draft military programming law make it possible to make up for lost time in this area?

Here as elsewhere, it is the size of the financial commitments which is decisive. One percent of total appropriations which increase less than the inflation rate is of no significance and does not constitute a guarantee.

European Cooperation Missing

None of the projects listed in the military programming catalogue is envisaged in cooperation with one or several European partners. We know the difficulties of starting up programs in cooperation with others. However, the project for a Franco-German helicopter in 1960 seemed to promise to lead to a good result. We regretted the abandonment of the idea of a Franco-German tank, which made it necessary to keep the AMX-30 tank in service.

What is the status of a combat aircraft to be built in cooperation with the Federal Republic of Germany and Great Britain?

No meeting of the three ministers of defense (France-Federal Republic of Germany-Great Britain) has been held since 1981, although after the beginning of this tripartite cooperative program at Salon-de-Provence in 1977 such meetings were regularly held each year.

The armament needs of the European allies are identical. The countries of Europe are confronted with the rising cost of weapons systems which continue to grow more sophisticated. In view of necessarily limited resources, the only possibility of limiting the impact of this cost, while preserving the scientific, technical, and industrial capabilities of Europe, is by producing equipment and armaments jointly, in order to obtain lower prices through series production. The government should make known, on the occasion of the promulgation of the military program, what the prospects are in this area and what its intentions may be.

The Measure of the Financial Effort

We therefore come to the essential problem for a military programming law: the reality of the financial commitment which it makes.

No doubt it could be objected that there is never enough money for anything. We are not unaware of the difficulties facing the country and we know that the effort made must be limited and can only be achieved over a period of time. We have some right to be heard on this subject. Although during the 7 years the previous administration was in power the petroleum price increased by a factor of 10 and the economic situation was as serious as it is today, our government majority was able to devote to the defense of the country a growing proportion of national resources each year, without reducing the living levels of the French people.

Moreover, the results are to be seen, and if the French Government deserves some credit in this area, both at home as well as abroad, it owes it to the efforts made by its predecessors, that is, to its heritage.

Under present circumstances (social and debt costs which overwhelm the assumptions in the state budget) any reference to economic indications is no doubt risky. If we were sure of the evolution of gross national product and of costs, an increase in the military budget to 4.5 percent of Average Gross Domestic Product--which is already the case in Great Britain--over 6 years, thus extending the effort made since 1977, would correspond to the demands of defense policy, which the government happily supports, and without compromising other national objectives.

what is certain is that there is an incompatibility between the policy which is allegedly being followed and a halt to our efforts in support of our national defense by placing a ceiling on successive defense budgets for 7 years.

The military programming law must be amended so that financial commitments will relate properly to political ends.

Conclusion

For the last 2 years the government has let it be known that in the defense area its efforts continue along the same line as has been followed throughout the history of the Fifth Republic. By presenting its draft military programming law the government is trying to build support for this idea. Although in terms of the principles announced and the objectives defined it is in fact the same policy which is being followed, it must be recognized that the resources allocated by the military programming law do not support this statement.

We have gone into a great deal of detail because we wanted to present an analysis in depth and a critical examination of the propositions under consideration.

In view of a presentation which aims at creating illusions, reality can only be brought out on the basis of detailed facts and figures.

Because the government places in the front of its program the policy of nuclear deterrence, we are struck to note that the financial effort made in support of the nuclear forces is limited to leaving untouched the M4 and ASMP programs approved in 1976 (and, once again, this effort is very substantial), while no other program for the development of strategic armaments has been prepared and worked out in specific figures. In terms of tactical nuclear armaments, the government proposes to reduce the number of ASMP weapons for the tactical air force which were approved under the preceding administration and which should have been brought into service in the course of the next 5 years. The "Mades" missile--which could not constitute adequate compensation for this failure--is envisaged for 1992.

Regarding conventional armaments, the programs have been stretched out over time to such an extent that they do not ensure the modernization of our forces to the necessary extent. The extent of the effort made for 20 years still makes it possible to mask the future consequences of the slowdown which has taken place since 1961. In the absence of a rapid increase in effort, the effects will make themselves felt in the next few years.

On so serious a subject we can perceive the characteristics of government activity in many areas for the past 2 years: attractive language which actions, facts, and figures contradict. We should not let ourselves be deceived by the appearances of things and approve inadequate military programming.

There is no question of resigning ourselves to the mediocre quality of a program which uncertainty as to the means available and the haziness of the proposals made hardly render credible. No doubt for some people that is already "acceptable."

That should not be our attitude. Concerned about our national interests, we do not, however, wish to deprive our armed forces of a commitment whose implementation we want to check scrupulously. We will try to obtain improvements in the draft law with the hope that the government will agree to bring its actions into agreement with its words, by giving national defense the priority which the international situation and the circumstances require--now more than ever, and as the government itself has stated.

5170

CSO: 3519/47

BANK REPORTS CITE EXPORT DECLINE, IMPORT RISE

Nicosia I SIMERINI in Greek 25 Sep 83 pp 1, 6

/Text/ A rapid expansion of imports together with a big drop in exports was observed during the first 6 months of 1983 resulting in the broadening of the trade deficit.

As noted in a study on economic developments between January and June prepared by the People's Bank, imports increased by 16 percent amounting to 317 million pounds compared with 13.6 percent during the corresponding period of 1982. Overall exports showed a 3.6 percent drop amounting to 129 million pounds compared with an almost 19 percent increase during the corresponding period of 1982.

As a result of these unfavorable developments the gross trade deficit increased by almost 35 percent amounting to 187.5 million pounds, while the ratio of imports that are covered by exports dropped to 41 percent of the year before..

The rapid increase of imports was brought about to a large extent by the great increase in the import of private vehicles especially and to a lesser extent by the import of petroleum products and consumer goods. Imports of the latter increased by 19 percent amounting to 71 million pounds. Imports of raw materials amounted to 125 million pounds and increased by 5.6 percent compared to 11.6 percent a year ago.

Imports of capital goods increased by 17 percent amounting to 29.4 million pounds, compared to 19 percent during the same period last year. The value of the petroleum products imported amounted to 58 million pounds and increased by 20 percent compared to a 7 percent drop last year.

Drop in Exports

Exports showed an alarming drop, dropping by 11.6 percent and amounting to 114 million pounds compared to increases of 16.3 percent and 25.6 percent during the corresponding periods of 1982 and 1981 respectively.

Specifically, revenues from exports of foods and beverages dropped to 40.6 million pounds or by 17 percent compared to a 28.3 percent increase a year ago. There was also a 26.2 percent drop in revenues from exports of edible raw materials amounting to 17.2 million pounds compared to a 30 percent increase during the first 6 months of 1982. There was a slight drop to 34.1 million pounds in revenues from exports of consumer goods.

With regard to the above developments it is being observed that the serious drop in exports is due to the poor performance of almost all the primary exportable products. Especially noted is the drop in revenues from the export of potatoes, paper products, cigarettes and cement. On the other hand, it should also be noted that exports of clothing items are showing a rise following last year's big drop.

Increase in Deficit

The People's Bank mentions that the breakdown of foreign trade showed significant changes at the end of the first 6-month period, namely with a great drop in foreign currency receipts from exports to the UK.

Overall exports to the EEC countries dropped 20 percent to 41.2 million pounds and constituted 32 percent of the total compared with about 39 percent last year. Imports from EEC countries increased 17 percent to 157 million pounds and constituted about 50 percent of the overall imports. As a result the Cyprus-EEC trade deficit increased 41 percent and reached 116 million pounds.

Arab countries continued to represent the most important buyer of Cypriot goods. Overall exports to these countries increased slightly to 61 million pounds and represented 47.4 percent of overall exports, compared with 43.3 percent during the first 6 months of 1982. Imports from Arab countries increased slightly to 37 million pounds or 12 percent of the total. Consequently the trade surplus between Cyprus and the Arab countries increased slightly to 25 million pounds, compared with 23 million pounds last year.

The deficit in trade between Cyprus and eastern countries increased by 43 percent to 11.5 million pounds, compared with last year. Exports to these countries dropped by 12 percent. They represented 7.6 percent of overall exports, while imports represented 6 percent of the total.

With regard to services, according to estimates of the People's Bank, the traditional surplus in invisible resources increased by about 14 percent during the period to 90 million pounds compared with 19 percent last year.

Increases from tourism is estimated to have increased 16 percent to 62 million pounds compared with 53.5 million pounds during the first 6 months of 1982.

5671

CSO: 3521/42

STATISTICS PAINT GLOOMY ECONOMIC FUTURE

Nicosia I SIMERINI in Greek 29 Sep 83 pp 1, 14

/Text/ Prospects for the Cypriot economy in the immediate future are gloomy while the subsequent dangers are increasing. Our economy is marked by the following:

- By the continually increased deficit and the effects that it will have on the overall liquidity of the economy.
- A discouraging picture both as regards production as well as the disposal of goods.
- The increase in the deficit of the balance of trade and in the balance of current trade.
- Drop in investments and exports.
- Increase in unemployment.
- The halt in the drop in inflation.

This discouraging picture of our economy was depicted by KEVE /Cyprus Chamber of Commerce and Industry/ in its study on economic developments in 1983 on the basis of economic data for the first 7 months of the years. It once again warns that the 1983 deficit will amount to 77 million pounds compared with 59 million pounds last year.

The new rise is due on the one hand to the lack of measures to freeze wages in the public services, as well as allowances and other such expenditures, and on the other hand to the anticipated large increase in the payment of interest for the servicing of the debt.

The public debt will increase still further as a result of the financing of the deficit.

The deficit and the way it will be financed for yet another year will have repercussions on the overall liquidity of the economy and by extension on the consumer goods expenditures and imports with unfavorable effects especially on the country's trade balance.

An unprecedented imbalance in the trade balance and in the balance of current trade is thereby created due to the drop of domestic exports with the danger that the foreign trade stability of the economy will be upset.

The drop in domestic exports and especially the export of agricultural and industrial products will continue throughout the year with the result that the trade deficit will increase.

The deficit in the balance of current trade will increase from 77 million pounds in 1982 to 90-95 million pounds in 1983. This will contribute not only to the increase in the deficit in the trade balance but to the slackening of the rate of increase of revenues from tourism that is attributed primarily to the expected small increase in the number of tourists spending many days in Cyprus as compared with the previous year.

KEVE also notes that the rate of development of the Cypriot economy in 1983 is expected to slacken and that it will range around 3 percent as compared with 4.5 percent last year.

A substantial drop in exports to the amount of 9.5 percent has been observed compared with a 10 percent increase during the corresponding period of last year. The picture is also not encouraging by economic sector. Specifically, the overall agricultural sector will show a further loss in real terms due to the unfavorable weather conditions prevailing in 1983 and to the problems faced both with regard to production and to the disposal of products in foreign markets.

KEVE observes that the rate of unemployment is expected to rise compared with last year.

The monthly average of unemployed during the first 7 months of 1983 increased by 26 percent compared with only 7.4 percent during the corresponding period of last year.

As far as inflation is concerned, it is noted that the drop observed in retail prices will not continue through the end of 1983.

KEVE once again refers to the need to check as quickly as possible the increase in real wages of the workers within the context of improving productivity. It also mentions the immediate need for the taking of measures to hold back and to gradually decrease the very big and continually increasing public deficit.

KEVE's hope continues to be that the holding back and the gradual decrease of this deficit to economically accepted level; will become possible especially through the curtailment of increases of wages and allowances in the public services.

Moreover, a specific plan must be drafted as soon as possible for the gradual decrease of expenditures of all sectors in the public services.

With regard to investments and exports, KEVE adds that the efforts of all must be centered on the following:

1. Decisive measures must be taken to hold back the various costs of production, transport and trade.
2. The high loading and unloading duties in the ports, the complicated bureaucratic procedures and the difficulties faced by the Cypriot businessman especially with regard to the sea transport of his goods to foreign markets, together with the high per unit cost of transportation, all constitute significant facts for the worsening of the competitiveness of Cypriot products.
3. With regard to export of industrial goods, what is needed is systematic and organized assistance with regard to study and information on conditions prevailing in foreign markets. The commercial sections of all embassies must be increased. Trade centers must also be established in all big foreign market centers.

5671

CSO: 3521/42

GREENLAND AFFAIRS MINISTER WEIGHS PROS, CONS ON KGH

Copenhagen BERLINGSKE TIDENDE in Danish 27 Oct 83 Sect III p 3

[Article by Leif Holm Henriksen]

[Text] "There are better arguments for establishing a KGH [Royal Greenlandic Trading Company] store in Nuuk (Godthab) than there are for not doing so," says Tom Hoyem, who will decide the question that has been raised by the seven Greenland co-ops in the near future.

"If I give the green light for the re-establishment of a KGH food store in Nuuk (Godthab), as the company desires, one of the principal conditions for my doing so must be that, in computing the store's profitability, the KGH will calculate a bit more openly than has been the case. At the same time, that means that making a profit on retail sales will be postponed, so that the existing food stores in the capital city of Greenland will not be ruined."

That is what Greenland Affairs Minister Tom Hoyem said in a conversation with the BERLINGSKE TIDENDE after the chairman of the seven Greenland co-ops organization, Kalaallit Nunaanni Brugsenit (KNE) [Greenlandic Consumers' Co-op], protested vigorously against the KGH's desire for a new government store in the BERLINGSKE TIDENDE on 18 October 1983. The chairman of the Greenland co-ops organization is Jorgen Chemnitz.

Zig-Zag Course

The Greenland affairs minister promises that, as the final authority, he will have made a decision on this matter before the month of November is over.

"It does not seem to me that it would be smart to follow a zig-zag course that would have us--my predecessor and his predecessor, in turn--saying that we now were going to allow co-op organizations to place an establishment in the community of Greenland and then allow the KGH to come in and ruin the competitive conditions. If we did that, we would seem to be turning up our noses at all the money the government actually has granted, in the form of commercial support, loans and the like, to the co-ops in Greenland to help build them up. That is one side of the question," Tom Hoyem says.

Praise for the KGH

"To look at the other side of the question, to which I would very much like to continue to give expression, there is the fact that I am entirely serious about favoring local management. In this case, that means local management where the municipality in Nuuk approves a KGH store by a majority of votes, where the members of the national government approve a KGH store and where the consumers also approve the store," the minister says.

But there is still another side of the question, and it is concerned with the activities of the KGH people in Greenland. "The ceaseless attacks upon the KGH can easily produce an unpleasant atmosphere among the people who work for the company. They should be aware that these are serious, competent people who certainly would have been able to do well if they had been employed in the private business community."

Tom Hoyem has no plans for destroying Greenland's private business community, as certain individuals have asserted in the debate, he says. It is natural for him to pursue a course that gradually scales down the government's activities in the far north.

"But, everything considered, I also hear that the KGH always has an obligation to supply food all over the country. That obligation must be upheld. And now the KGH comes along with a good idea and says that they can provide an additional 10 million kroner. Consequently I will not have to beg the finance committee for money, and as a cabinet minister in a period of retrenchment that certainly is something I will include in my considerations," Minister Hoyem says.

Lively Competition

It is also an important consideration for the Greenland Affairs Minister to make it clear that he regards generating lively competition as something that is extremely essential. And as a cabinet minister in a liberal government he does not think that it is his job to allow the state's functions to increase. Or, to put it another way:

"There are better arguments for establishing a KGH store in Nuuk than there are for not doing so."

"But my obligation to the Folketing and the Finance Act is that the KGH is to be operated," he says. And, as a 'paragraph 2' enterprise, it is to be operated in as businesslike a way as is possible now on the basis of the obligations we have. And it certainly is a good way of stating the situation if we say that if the KGH has run a store at a profit up in Nuuk, that shows that they are good at running stores. And so if there is another store in the vicinity which the KGH would like to buy in order to improve its profitability, that is a very sound line of reasoning from a businessman's point of view," Tom Hoyem says.

As far as the Greenland Affairs Minister is concerned, there is no doubt that there are excellent arguments on both sides of the question. That makes it a "real hard problem" to solve, as he puts it. But nevertheless, before the final decision is reached, the minister first wants to have an official request from the KGH. Actually, it has not made such a request up to the present time.

INSTITUTE PREDICTS SLOW IMPROVEMENT IN EXPORTS

Bonn DIE WELT in German 4 Oct 83 p 15

[Article by Hans-J. Mahnke]

[Text] German exports will regain strength in the coming months. The HWWA [Institute for World Economics in Hamburg] sees a somewhat better outlook for exports. This estimate is also shared by other augurs. Their arguments are based mainly on the cyclical recovery in some leading Western industrial states, principally in the United States followed by Great Britain.

The cyclical recovery is still rather difficult to detect in the order books. According to the HWWA Institute in Hamburg, the slight increase in new orders from abroad to German industrial firms "does not, in view of the quite unsettled condition of the world economy, mean a fundamental change for the better."

The reason is that the important attendant circumstances for overcoming the worldwide weakness in growth have not improved in the summer months to the extent that was hoped for. Thus interest rates in the United States and in the other industrial countries have not continued to fall. And in the weeks before the annual meeting of the IMF, the debt crisis in some important developing countries again threatened to come to a head.

The Recovery Is Being Supported by Consumption

To be sure, demand and production in the United States have recovered more strongly than was generally expected. Great Britain as well is judged better than it was just a few months ago. In contrast, in France and Italy--two important customer countries for German products--the recovery process has not yet begun at all; on the contrary.

Based on noticeably lower rates of inflation in all Western industrial states, the prospects for the economic trend have improved relative to 12 months ago. In the second half of last year, monetary policy loosened its reins in most industrial states. The effect of that was to stimulate demand. The reductions in interest rates and the state support measures

taken by some governments again brought an increase in housing construction, which had been lame for years. Additionally, there was an increase in the consumption tendency. This was because during the downturn even essential purchases were delayed, and also because savings dropped due to the lower interest rates.

In contrast to earlier business cycles, this time recovery is being carried by consumption and not by investment. The increase in private consumption slowed the reduction in inventories in the enterprises. In part, supplies were even built up. This was not without an effect on production.

To be sure, this trend was most pronounced in North America, but it also radiated to other continents. Prospects are somewhat brighter even in the Third World. The OPEC states benefit from the fact that demand for oil, which was still way down in the spring, has again stabilized. Thus prices were also steadied. There has also been an increase in the demand for other raw materials. Thus at the beginning of September, the dollar-based HWWA index of world-market prices for industrial raw materials was already 10 percent higher than in December 1982.

In previous years, this trend would already have meant a strong rise in the demand for German products. This is now no longer possible. The reason is the large debt in many threshold countries. It is true that there may be an easing in the balances of payments in the Third World because of the higher prices for raw materials. But many countries need the additional foreign exchange to pay principal and interest on earlier credits. For this reason, the hesitancy to make purchases may last sometime yet.

All Look to the United States

It is different in the Eastern Bloc. With the exception of the USSR, large debts are exerting pressure here too. Therefore, purchases in the West are reduced and there is forced internal trade within the bloc. In this way, the USSR is becoming more and more important for German trade with the East.

Since in the short term there will probably not be any significant increase in imports by the state-commerce countries and the Third World, German exports will also be determined by what occurs in the industrial states. For the future as well, the United States will remain determinant there. And that is not just because 15 percent of world imports are attributable to this largest economic power in the world.

The United States also establishes the conditions for the international currency and finance markets. It is currently scarcely possible even for the FRG to separate itself from the trend there, since exchange rate expectations are not yet suitable. Because of the large budget deficits in the United States, experts hardly expect falling interest rates before the presidential elections at the end of next year, for it is unlikely that there will be a change in the financial and economic policy course in the coming months.

The hopes are that the state deficits will not continue to rise, because the cyclical upturn will lead to greater tax receipts and there are no more tax cuts coming. There is, however, still uncertainty about U.S. monetary policy. It is therefore not expected that there will be any substantial change in U.S. interest rates or in the dollar exchange rate.

Thus there is also little latitude for lowering interest rates in the other industrial states. The large state deficits that to some extent still exist likewise restrict opportunities. Therefore, it is likely that there will be only a moderate acceleration in the pace of demand growth. Above all, however, it is high interest rates that make difficult a change in the investment trend.

Expressed in figures, the Hamburg institute sees the trend this way: the real gross national product of all industrial countries, which declined 0.2 percent last year, may increase by 2 percent in 1983. There is even a forecast of a rise of 3 percent for next year. The average increase of 2 percent for the current year verifies the existing trend due to the depressed level at the beginning of the year. Conversely, the better results for 1984 to not indicate an acceleration of the current expansion.

Behind this global trend is the rapid recovery in the United States. There the gross national product fell by 1.9 percent last year. The expectation is for growth of 3 percent this year and 4.5 percent next year.

The trend is steadier in Japan. There, even in 1982, they registered an increase of 3 percent in overall economic production, a rate that may also be established for this year. For 1984, forecast growth is 3.5 percent.

Western Europe cannot keep up with that. Here, to be sure, the GNP did grow by 0.3 percent, but this year's increase may still be only 0.5 percent, and also all the Hamburg economic researchers predict a growth of only 1.5 percent for 1984.

World trade, however, which is important for German exports, may again pick up speed after a decline of 2 percent last year, which exacerbated the balance of payments difficulties of some countries. The Hamburg business cycle researchers are already estimating an increase of 1 percent in the volume of world trade for this year. This is somewhat more favorable than what GATT experts are estimating. For 1984, the Hamburg scientists are expecting a real increase of 4 percent.

German exports should participate fully in this trend. Since in recent years the firms have even strengthened their foreign activities, there are definitely chances for improving their position in some markets. The German export economy, however, does have a handicap. More than 50 percent of deliveries involve capital goods. Currently, however, in contrast to previous business cycles, the economic upturn is mainly being supported by the increase in private consumption and in the buildup of inventories. Despite shifts in exchange rates within the European Currency System, German products are able to hold their own in price competition.

It will therefore be even more favorable for the German export economy should there be an upturn in capital investment in the important customer countries. As before, the Hamburg institute sees definite chances that the cyclical upturn in the United States and the other industrial countries initiated a lengthy upward movement.

To be sure, the difficulties involved are unmistakable, and they are seen in the increased interest rates of the last few months alone. It is obvious that a fall in real interest rates is being hindered by the lack of confidence in a consolidation of state finances. High interest rates, however, hinder an unfolding of the business cycle dynamics. The lack of purchasing power of many developing countries and of the Eastern Bloc likewise stands in the way of a rapid expansion of world trade.

Nevertheless, German exports may have overcome their period of weakness, which was indeed quite pronounced in the first half of 1982. As export prices in the first 6 months of this year were 1.6 percent higher than those of the same period of the previous year, real exports declined by 3.5 percent, which corresponded to a nominal decline of 1.9 percent this year. In the first half of last year, German exports had increased by 8 percent after discounting price rises.

The flows of goods were characterized by the differing cyclical trend in the customer countries on the one hand and by the shifts in exchange rates on the other. Thus the German mark has lost 20 percent of its value relative to the dollar, the Swiss franc and the yen, whereas it simultaneously gained 18 percent against European currencies since the fall of 1981. In real terms, that is, freed from domestic and foreign price trends, the DM-exchange rate was about 2 percent higher in the first half of the year compared to the previous year's level.

The EEC partner countries remain crucial for German foreign trade, accounting for about 50 percent. In this year as well, exports to EEC states declined only by a nominal 0.7 percent. To be sure, this masks a very varied trend. Thus German firms had to cope with a loss of 8.1 percent in France, the most important foreign market. This was hardly unexpected, however, in view of the economic difficulties and the government's austerity policy.

This decline, however, is in contrast to a strong increase, indeed, an increase of 14.7 percent, in sales to Great Britain, which thus became the third most important sales market of the German economy. The trend in exports to the Netherlands, number two among the customers, was also relatively favorable. Here an increase of 4.2 percent was reported for the first half year. Deliveries to Italy, on the other hand, declined by this magnitude.

It is even noted that sales to the European states outside the EEC fell by only 0.2 percent. To be sure, there were substantial declines in sales to the Scandinavian states, but in contrast there was even a slight rise in deliveries to Austria, Switzerland and Spain.

Stagnation in Exports in Japanese Trade

The cyclical upturn in the United States in the first half year has not affected German shipments. Nominally, they increased by only 0.2 percent, which even means a decline in real terms. In Japanese trade, exports are stagnating. Shipments to Canada, on the other hand, expanded by 4 percent. Altogether, shipments to Western industrial states, which account for 77 percent of the merchandise trade of the FRG, declined by 1.2 percent in the first half year relative to the same period in 1982. The previous year they had even increased 15.2 percent.

The German export industry suffered large losses in the markets of the OPEC states. Because of diminished export receipts, almost all of the oil countries have cut back drastically on their import programs. Thus German deliveries to the OPEC states, which, after all, account for about 9 percent of German foreign trade, declined by 16.6 percent.

Business with Iran Still Flourishing

Even Saudi Arabia cut its orders by 9.9 percent. And Iraq, which took over first place from Saudi Arabia among customers in this area last year, cut back its purchases by 41.2 percent. In contrast, trade with Iran is flourishing after the revolution, albeit at a depressed level. The increase of 152.8 percent in the first year, however, may not be extrapolated into the future.

Surprisingly, trade with the developing countries that do not have their own oil even increased by 1.2 percent, for some countries that are especially suffering under the debt crisis limited their purchases very substantially. It was 54 percent for Mexico, 44 for South Africa, 24 for Brazil, 37 for Kenya and still another 28 percent for Peru.

There were also similar setbacks in the merchandise trade with some state-commerce countries. Thus in the first half year, exports to Romania declined by 36 percent and exports to Hungary fell 21 percent. To be sure, this trend was more than compensated for by the strong increase in exports to the USSR and China. Exports to the USSR did, after all, rise by 28.1 percent. In trade with China, even an increase of 40.2 percent was attained. To be sure, German shipments to the Far Eastern island state fell last year. Overall, German shipments to state-commerce countries climbed 11 percent.

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USSR TRADE DELEGATE PUGIN CHIDES FINNS ON IMPORT POLICIES

Helsinki SUOMEN KUVALEHTI in Finnish 16 Sep 83 pp 74-76

[Article by Martti O. Hosia: "Vladimir Pugin, the East's Hard-Sell Salesman, Says That It's Time for Finland to Buy More"]

[Text] The trade surplus between Finland and the Soviet Union has already zoomed to a figure of 5.6 billion markkas. That figure means that every Finn is getting over 1,200 markkas from the Soviet Union.

The figures are being equalized, but in order to do so Finland must buy more from the Soviet Union. "This is the only way," said trade delegate deputy Vladimir Pugin, the number-two man of the Soviet trade delegation.

Pugin has followed the uphill-directed course of trade in the Soviet trade delegation at Tehtaankatu since at least 1972. In that space of time there has been room for two oil crises, both of which fundamentally upset the balance of trade.

In 1979 when Soviet oil sales were substantially listing to one side, they set about balancing trade such that Soviet foreign trade enterprises would increase their purchases from Finland. Purchases were wrenched from their hands, the rise in the price of oil turned into a decline and Finland was surprisingly transformed from a debtor into a creditor.

In principle trade can now too be balanced in two ways: Finland can either export less or import more.

At the end of this summer Pugin produced headlines in the economic sections of the newspapers by reminding us at the Turku trade fair that Finnish firms have not met all the quotas agreed on in this year's trade agreement.

Pugin found gaps in items like machines and equipment, natural gas, iron ore, pellets, scrap steel, laminated steel, laminated aluminum and cotton, among others.

"We were not alarmed at all. That's normal for a speech," a Finnish official commented on Pugin's Turku speech. "The quotas are guidelines. Of course, they must be realistic, but we have to stretch them in negotiations."

Whatever the case may be with regard to the quotas, the Turku speech was a sign of a change of roles. The ruckus-rousing oil-ruble buyers are turning into tough salesmen, Soviet hard-sell salesmen.

Moscow Press Release

During the interview salesman Pugin was off to a running start with President Mauno Koivisto and First Secretary Yuri Andropov's June meeting in the Kremlin. In the press release issued then they asserted that "the partners will make an effort to maintain a high volume of trade, taking into consideration the future development of new forms of commercial and industrial cooperation and above all the expansion of Finnish imports from the Soviet Union."

"If it is agreed on between the partners that a high volume will be maintained and that Finnish exports will be kept at a high volume and that they may at times be increased, the only way that can be done will be to increase Soviet imports to Finland," Pugin argued.

According to Pugin, that is also the easiest way in spite of all the inconveniences it may involve. As for the other alternative — that the Soviet Union should buy less from Finland — Pugin was satisfied with presenting an estimate according to which a 10-percent drop in its trade with the East would mean about a 1-percent drop in Finland's GNP.

The first thing to strive for right now is, however, to keep Finland's surplus from growing beyond what it has been.

According to the trade agreement, trade should be in balance, but the figures for the first half of the year still show something quite different from that. "It was agreed at a high level that trade would be balanced during the second half of the year. It is just because of that that I turned to Finnish firms in Turku and appealed to them to help accomplish this. We still expect those (trade agreement) goods that have not yet been purchased to be purchased," Pugin said.

The statistics in part create a false impression, since Finnish firms are quicker with their shipments than the Soviets, whose shipments are concentrated at the end of the year.

"Oil, Gas, Nuclear Power Plant..."

But how will you make up the huge 6.5-billion-markka surplus during the coming years?

"Above all with the usual items. Among the chief items are oil and energy. Many supplementary agreements on chemicals have been concluded and we will supply more lumber," Pugin replied.

"In the same press release they spoke of the diversification of trade. That can be accomplished in several ways," Pugin said and enumerated:

"First, we could increase machine and equipment exports from the Soviet Union. Machines now account for 4 or 5 percent of the Soviet Union's exports to Finland, which is very little when we consider the fact that machines and equipment accounted for 28 percent of Finland's total imports.

"Among you there are some who say that the Soviet Union is incapable of complying if changes need to be made in machines, but that isn't true. With tractors, for example, for which there are such strict specifications and requirements in Finland, Konela-Belarus is capable of making the required changes."

If the changes are, nevertheless, too difficult, Pugin insists on "production collaboration"; in other words products containing parts from both countries would be manufactured in either Finland or the Soviet Union.

The idea is an old one and it has been applied in Finnish shipyards, among other sectors. Pugin indeed deplored the fact that Soviet parts' share of the market has been too small.

"With that idea in mind, a mutual railroad car production venture with Rautaruukki would help a lot. Another similar object of collaboration is the construction of telephone exchanges with Nokia," Pugin said.

Gas Pipeline with Russian Aid?

Pugin also aims the same sort of criticism at Finnish construction projects in the Soviet Union: "Our Finnish partner really does a lot of construction work in Soviet territory. It is important that more Soviet parts be used in these projects.

"Another matter is just as important: to find construction projects [for us] in Finland. So far there have been no such projects," Pugin said.

He came up with a brisk answer to the question as to whether a new nuclear power plant would be such a project: "Definitely."

Pugin mentioned a natural gas pipeline as a possible construction project in Finland. There is a construction unit in Leningrad that could handle construction of an extension of the pipeline in Finland. A new committee headed by Undersecretary of State Ake Wihtol is discussing the project.

Removing the importing of gas from the control of Neste [state oil firm] has been discussed in Finland, but Pugin diplomatically avoided that problem: "Honestly, it's very hard to answer that question...."

In addition to machines and equipment as well as collaboration in production, there are so-called compensatory deals on the Soviet trader's traditional Christmas list. If, for example, Finns build a plant in the Soviet Union, payment would be due in the form of [purchasing] products manufactured by the plant in the course of time.

"Passiveness or Principles?"

Are Finnish firms too passive in their trading?

"I wouldn't use that term," Pugin objected, "because Finnish firms are basically particularly active — above all when it comes to the sale and marketing of their products.

"The problem lies not in passiveness, but in traditions. We have had times when Finnish firms did not think that they should buy at all. Today's situation is, however, quite different.

"Also belonging to tradition is the fact that information on what can be bought from the Soviet Union is poor. An interesting article appeared in a trade journal in which the director of a well-known company was interviewed. The gist of it was that the director had so many reservations that it was impossible for him to familiarize himself with the already existing reports. Reports on Soviet markets do not reach buyers," Pugin complained.

To correct the situation, the Economic Cooperation Commission published a guide for Finnish buyers at the beginning of this summer. Preparations are being made for an exposition to be held in Finland next year at which Soviet export items will be displayed. A third idea is to get together an expedition of Finnish purchasing department heads who will be sent to familiarize themselves with Soviet production.

On the other hand, Finnish businessmen have had bitter experiences with regard to the fact that Soviet plant managers who oppose their plans do not always have the time or the desire to go ahead and carry out the wishes of some foreign buyer.

"Of course, in our country, where the economy is planned, it is sometimes very hard to make additional shipments," Pugin admitted. "But naturally we try to see to it that manufacturers are favorably disposed...."

To make doubly sure, Pugin presented a list of frequent Finnish buyers — "I don't want anyone to get mad" — Neste, Kaukomarkkinat, Enso-Gutzeit, Thomesto, Tehdaspuu, Valtion Hankintakeskus, Wartsila, Rauma-Repola, Tampella, Nokia, Valmet and Rautaruukki.

"Of course, the fact that a company buys from the Soviet Union also positively affects export opportunities," Pugin noted.

"Price Is Decisive"

At the end of September a delegation headed by Deputy Foreign Trade Minister A.M. Manzulo will arrive in Finland to hone next year's trade agreement.

The Commerce and Industry Ministry, which gathers firms' import wishes, and the Trade Policy Department of the Ministry of Foreign Affairs, which gathers export wishes, have in Finland drafted an agreement which should normally be signed in December.

At present they are also honing the general agreement for 1986-1990, which they plan to have ready as early as next fall. Furthermore, a far-reaching LTP, Long-Term Program, is still on the drawing board.

In principle the long lists of goods in all the agreements are always signed in balance.

"We also try to keep the final years of the current general agreement term in balance within the framework of technical credit limitations. That is why we are always talking about Finland's having to import more," Pugin said, but at the same time added: "You yourself know how much price means."

The big unknown factor in trade with the East will even in future be the world market price of oil. A fluctuation of a few dollars in the per-barrel price of oil and the 2-million-ton flow of oil that flows annually from the Soviet Union to Finland can completely upset the balance of trade again.

Pugin did not, however, want Finnish firms to just sit there with their arms crossed waiting for the price of oil to rise, instead going back once more to the heart of his sales pitch: "A better alternative is to buy more now from the Soviet Union."

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NEW CENTRAL BANK LEADER GENERATION TO FACE USSR TRADE ISSUES

Helsinki HELSINGIN SANOMAT in Finnish 20 Sep 83 p 21

[Article by Markku Hurmeranta: "Bank of Finland's Headache: Choose a New Foreign Exchange Director or Do Away with the Whole Post?"]

[Text] A new distribution of director and department head posts is in progress at the Bank of Finland. Since directors who have been transferred to positions outside the bank have left vacancies in the top posts, at the bank they have even begun to consider reducing the number of directorial posts to be filled. Acting Minister Seppo Lindblom's (Social Democrat) leave of absence from the board of directors has further confused the situation as regards the functions of the bank's top directors.

The Bank of Finland's directorial game has given rise to some frank questions in the banking world. The fact that the central bank's Eastern trade expert is with his knowledge being transferred to a post in a commercial bank just when there is talk of changing the status of the ruble in the foreign currency reserve has, among other things, made people nervous.

The first vacancy at the Bank of Finland was produced when director Antti Lehtinen was hired as general manager of Vientiluotto Oy [Export Credit Company] to replace Erkki Karmila, who was transferred to KOP [National Joint-Stock Bank].

When department head Matti Vanhala was assigned to Lehtinen's post at the Bank of Finland, a vacancy was in turn created in the foreign exchange department. The feeling of abandonment merely grew when Bank of Finland foreign exchange expert Kari Nars was surprisingly appointed general manager of HOP [Helsinki Joint-Stock Bank].

Nars, who among other matters handles the Eastern trade as his special province, will be leaving the Bank of Finland very shortly, since he is to be transferred to HOP as early as mid-October.

From the standpoint of the central bank, this time of premonitions of devaluation these past few days has been particularly annoying, since the management of the bank's foreign currency department has at the same time most closely resembled a weary Pagliacci.

The fact that the director who has specifically been handling the Eastern trade is deserting the ship just when the bank ought to be devising remedies for the damage caused by a ruble that is ungovernably getting stronger is certainly also a troublesome factor.

One Director Will Probably Be Eliminated

Many guesses as to Nars' successor have been circulating in banking circles. Among others, advisory official Annikki Saarela, department head Kari Perkonen from within the bank, etc. have been mentioned as candidates.

Nominations will probably remain at the conjectural level too, since, as far as is known, Bank of Finland management is planning to combine two vacant posts heretofore filled by directors who handled foreign affairs. Therefore, no one would be appointed to Nars' post; instead, his duties would be combined with those of the post occupied by Vanhala, who has already been assigned to Lehtinen's post.

If this model is implemented, they would appoint Vanhala pretty much as a custodian. In addition to his own special field, the handling of foreign currency transactions, his duties would also include the Bank of Finland's other foreign functions. These have been, for example, the recently much-publicized operating licenses for commercial bank branch offices.

Has the Need for Number-Two Men Diminished?

Behind the reduction of managerial posts there is the change in the manning of the Bank of Finland's board of directors. Before, citizens nearing retirement age who were more distinguished in terms of politics than economic affairs occupied seats on the board of directors. That is why in past years they had to create a large number of different kinds of director and department head posts at the bank, the holders of which functioned as a sort of secretariat of board of directors experts.

Now they say that the need for that sort of behind-the-scenes secretariat is diminishing, since the board of directors' experience in banking and economic affairs has increased. But among others, the latest selection, which raised Esko Ollila (Center Party), known because of his government service and also a bank director by civilian profession, is representative of the bank's appointment policy. Whether one managerial post will be pruned from the Bank of Finland's organization is, however, not yet certain, since there are also political opponents to the plan. The form of the solution, for example, is probably not fully to the liking of the Social Democrats, who are known to have sent out feelers with regard to the appointment of the prime minister's political secretary, Eero Tuomainen, to the post left vacant by Nars. The last time the commerce and industry minister figured in this sort of speculation was over appointments with regard to Tuomainen, who was on leave of absence from the post of director of Tasku.

Ruble Is Rocking Foreign Currency Reserve Boat

Caught up in the suction of the dollar, a strengthened ruble is causing chaos in Finland's foreign currency reserve. Experts have long been irritated over the fact that, determined by the administration, the exchange rate for the ruble, which can be freely exchanged, is permitted to affect foreign exchange with its present strength.

Thus, when the ruble, which has been dubbed the hidden dollar, gets stronger in Finland's foreign currency reserve, exchangeable foreign currency gets cheaper. So, for example, the exchange rate for the German mark is estimated to be several percentage points lower than it normally is.

The ruble has gotten stronger in the wake of the dollar because the dollar's share of the foreign currency reserve available in Moscow to determine the value of the ruble is about 40 percent. As for the Bank of Finland, it follows these quotations in determining the exchange rate of the markka against the ruble.

In banking circles they keep demanding over and over again that the ruble be dropped entirely outside the foreign currency reserve.

The matter has been under investigation at the Bank of Finland too for some time now and they feel that it can be technically solved.

The foreign currency reserve can, however, only be interfered with by a decision of Parliament. Therefore, if they intend to do something about the ruble, the board of directors of the Bank of Finland will have to present an initiative to the bank supervisors, on the basis of whose proposal the government will submit the matter to Parliament for discussion.

Banks involved in the Eastern trade are also with interest awaiting the measures the Bank of Finland's board of directors will adopt. According to some experts, the Bank of Finland ought to make public its intentions before director Kari Nars, who is working on the matter, is transferred from the central bank to become general manager of HOP. Namely, a situation in which HOP would know beforehand what changes might be effected in the foreign currency reserve would not really please competitors.

Aside from elimination of the ruble from the foreign currency supply, a solution model has been proposed in which the relative weight of the ruble in the foreign currency reserve would be halved. At the Bank of Finland they react to these speculations in a particularly silent manner.

In Finland's present foreign currency reserve the ruble accounts for a good 24 percent of the total, the Swedish krona 18 percent and the Deutsche mark and the pound about 13 percent each. The relative weight of the dollar is just under 9 percent.

The effect of last summer's suspension of termination of the ruble on firms engaged in trade with Eastern Europe has not yet been fully noticeable. This

is chiefly due to the fact that old term agreements, the most recent of which will end by next summer, are still in effect with these firms.

The banks are also at present devising ways of getting around the situation, by means of which risks posed by the ruble might be reduced. As a kind of first aid and so far the only countermove to the Bank of Finland's decision to suspend termination of the ruble, the banks have suggested to their customers that they borrow in foreign currency denominations to offset possible changes in the exchange rate of the ruble. Such foreign currency loans have already to some extent been made. Freely exchangeable foreign currency is thus borrowed in those cases where the Soviet Union determines the value of its foreign currency with its own foreign currency reserve.

There is, however, no way of borrowing foreign currency that covers all contingencies, since the Soviet Union does not divulge the composition of the foreign currency reserve it is using at any given time. The business of guessing the make-up of the Soviet reserve has indeed evolved into its very own sort of science these past couple of years.

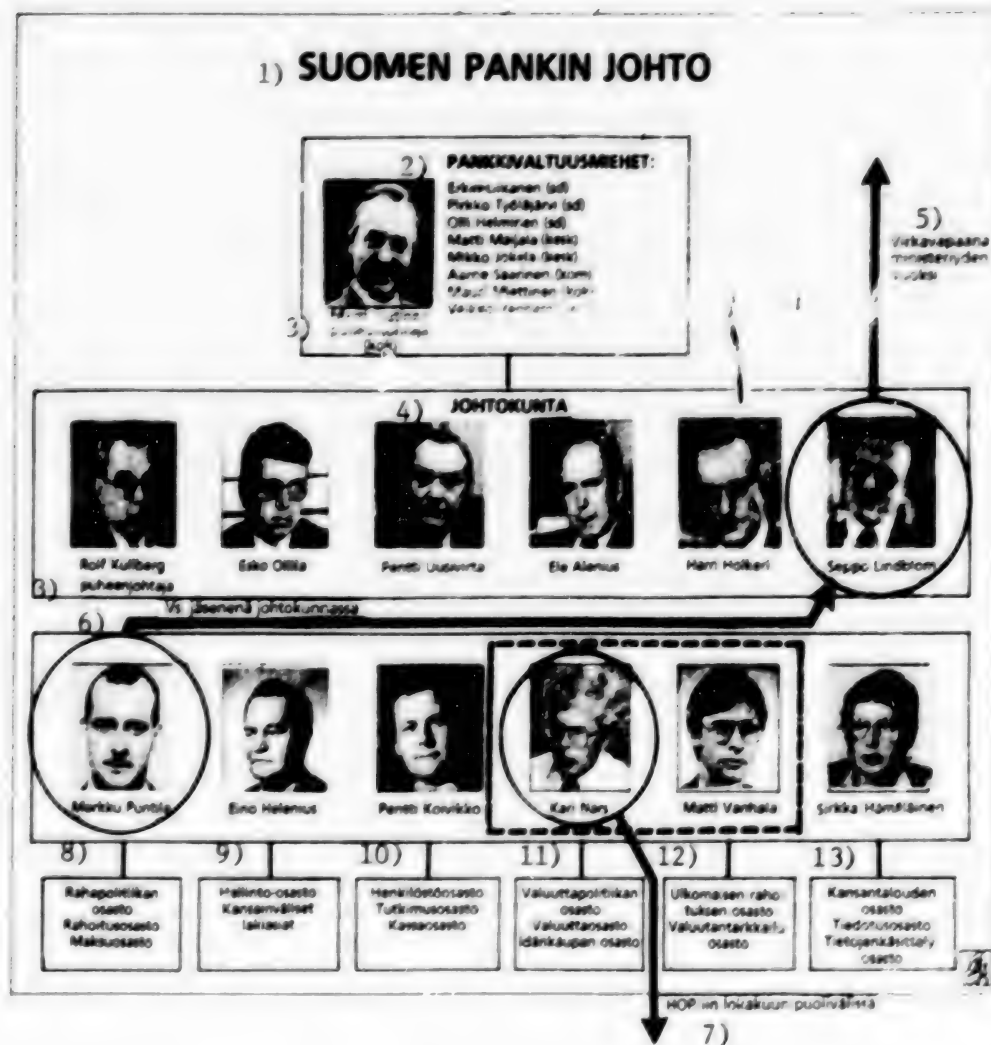
Leikki Oksanen, the acting head of the Workers Economic Research Institute, has speculated on the shaping of the exchange rate of the ruble in the latest issue of the review *EUROMONEY*. According to Oksanen's estimate, the dollar accounts for about 40 percent of the ruble reserve, the Deutsche mark 25 percent and the English pound 11 percent. In addition, the Moscow reserve includes French francs, Swiss francs and Japanese yens. Each of these accounts for about 2 percent of the reserve. They started employing this six-foreign-currency reserve in the Soviet Union in early 1981.

Reserve Content

At the present time the Finnish foreign currency reserve includes 13 foreign currencies the relative importance of which in terms of percentages is as follows:

Ruble	24.6
Swedish krona	15.9
Deutsche mark	13.3
Pound	13.1
Dollar	8.8
French franc	4.2
Norwegian krone	3.7
Florin	3.7
Danish krone	3.6
Yen	2.6
Lira	2.4
Belgian franc	2.2
Swiss franc	1.9
Total	100

Austria and Spain have been dropped from the original foreign currency reserve because those countries' share of Finland's foreign trade has declined to less than 1 percent.



Key:

1. Directorate of the Bank of Finland
2. Bank Councilors
3. Chairman
4. Board of Directors
5. On leave of absence due to ministerial appointment
6. Temporary member on Board of Directors
7. To HOP [Helsinki Joint-Stock Bank] in mid-October
8. Department of Monetary Policy--Financing Department--Payment Department
9. Administrative Department--International Legal Matters

Key (continued):

10. Personnel Department--Research Department--Cashier Department
11. Department of Money Exchange Policy--Money Exchange Department--Eastern Trade Department
12. Foreign Financing Department--Money Exchange Control Department
13. Department of National Economy--Information Department--Data Processing Department

Caption:

The designer of the organizational chart of the Bank of Finland has been busy in the last few days. In addition to the directors who have left the firm, the picture of the upper echelons has been complicated by Trade and Industry Minister Seppo Lindblom's leave of absence. Lindblom's substitute on the Board of Directors is Markku Puntila, whose duties, on the other hand, have been divided between Sirkka Hamalainen and Pentti Koivikko. The dotted line in the diagram indicates the bank's plans to combine two director's positions.

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FOREIGN TRADE MINISTER LAINE HOPES FOR PROJECTS INSIDE USSR

Helsinki HELSINGIN SANOMAT in Finnish 21 Sep 83 p 29

[Article by Mikko Eronen: "Jermu Laine on a Quick Visit to Moscow: Finnish-Soviet Trade Developing with Restraint This Year"]

[Text] Moscow—This year Finnish-Soviet trade seems to be moving toward its goal with great restraint. This was the opinion of Foreign Trade Minister Jermu Laine (Social Democrat) when he discussed matters with Soviet Foreign Trade Minister Nikolay Patolichev on Monday in Moscow.

Laine was making a brief 2-day visit to Moscow in his capacity as chairman of Valmet's advisory board. With him on the trip were Valmet's entire advisory board and top management.

Laine acknowledged that the fact that Finland has been able to buy Soviet oil for reexporting has eased the trade situation. Laine does not feel that there will be such large volumes of new imports per se next year either, such that we might achieve balance without, for example, reexporting oil.

Laine also discussed the exceeding of export quotas with Patolichev and said that he got the impression that in certain sectors in the Soviet Union too, for example, as concerns spare parts, there is a willingness to exceed quotas. Finland is trying to reach agreement on the exceeding of quotas, especially as concerns farm products, in which sector we would, for example, sell meat in excess of quotas.

The new construction projects in which Finns are trying to participate are the fourth phase of the Svetogorsk project, the Viipuri cellulose plant and the Tallinn port contract. "I would imagine that we'll get some of that," Laine predicted on Tuesday in Moscow.

Valmet plans to increase its own reciprocal purchases from the Soviet Union to twice their present volume.

On Tuesday Valmet representatives signed a joint-collaboration agreement on production systems based on a so-called flexible manufacturing technology with the Soviet Ministry of Machine Tool and Tool Building Industry and Stankoimport.

The agreement will initially be in effect for 8 years and thereafter it can be extended every 5 years.

The purpose is to plan and implement together with our Soviet partner production systems for different industrial sectors which, in addition to the entire production process, or work process, comprise, for example, automatic shipment of materials and automatic storage as well as computer systems by means of which the entire production process is directed.

Collaboration will not be limited to just systems, but will also extend to marketing. Valmet will be responsible for marketing in Finland, Scandinavia and, if need be, also elsewhere in the Western European countries, in our Soviet partner's own country and the CEMA.

Valmet representatives were unwilling to estimate the monetary value of the agreement, since results will naturally depend to a great extent on how the systems in question can be marketed. They do, however, believe that the potential is good, especially because favorable reception of this kind of holistic manufacturing technology is growing in the metal industry.

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CUTS IN AGRICULTURAL SUBSIDIES UPSET FARMERS

Helsinki UUSI SUOMI in Finnish 19 Sep 83 p 2

[Editorial: "Agriculture Is a Burning Issue Again"]

[Text] The agricultural policy that has been pursued has once again drifted into a situation in which painful cuts have to be made. Disconnected and inadequate guidelines and restrictions have not had their hoped-for effect, with farm production overflowing its banks.

The restrictions on agricultural overproduction discontinued in the 1960's remind us of the fable of the magpie and the tarred bridge. Restrictions aimed at one product or production sector have almost without exception expanded some other production sector.

Some 5 years ago the government and the producers' organization reached agreement on both the objectives and practical measures for achieving them by means of which overproduction would be gotten under control. At that time among other things they agreed on uniformly lowered production ceilings. While the plans seemed promising, they did not get the system to work. Time after time they boggled over the production goals to be lowered, which finally meant forgetting the goals themselves.

The government has again appointed a committee to consider an overall farm policy program for the years to come. While waiting for a program proposal, the government has postponed decisions involving next year's agriculture too until the end of the year.

All parties concerned seem to agree that more forceful measures to reduce production than before are needed. At any rate there are almost as many different opinions as before on the practical measures to be applied. Just as anticipated, farmers oppose the temporary quotas that have been proposed, although they will obviously be forced to resort to some kinds of quotas.

The guidelines and restrictions applied so far have meant that the most effective and economic kind of production has been impeded. This in turn has meant that, in comparison with international prices, food items here in Finland are outlandishly high, since consumer price subsidies have not been increased.

At the same time, however, we have had to subsidize exports with about 1.5 billion markkas a year. Consumers are naturally wondering why domestic prices are not lowered with the bills used for exports. In Sweden, for example, the price subsidy for butter has succeeded in increasing consumption so much that the former mountain of butter has been eaten in Sweden.

Here in Finland so many political party passions are associated with agricultural policy that we may presume that reaching a decision will also in future be an extremely difficult matter.

Lasting and real reduction of production only occurs when the basis of production is reduced. Despite the fact that letting fields lie fallow was criticized so much in the past, primarily on the grounds of human feelings, that line of action was nonetheless the right one.

Since today's political conditions probably do not favor letting the field lie fallow again, measures must be aimed directly at the farms. The forced expansion of the turnover in farms has become especially problematic. In the daze that has been directly created through taxation and lending systems, many farmers have forgotten their farm income proper, the money remaining after costs.

The use of the contributions of production should be channeled in a more sensible direction through the efforts of our society.

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SCALE, MECHANISMS OF FRENCH EXPORT SUBSIDIES

Zurich NEUE ZUERCHER ZEITUNG in German 6 Oct 83 p 17

[Text] The entry in the telephone book is in small script: Caisse centrale de cooperation economique. And in comparison with the usual Parisian splendor, the building on St. Germain Boulevard seems rather plain as well. That is no accident. The institute committed to economic aid to developing countries also serves those more subtle forms of French export assistance that are difficult to comprehend--and are meant to be. In principle, to be sure, the French are definitely in favor of state promotion of exports. An interlocutor above suspicion of any partiality stated that Western states can be classified in three groups: those that hardly ever allow state intervention because of market-economy convictions, those that give massive export subsidies but whose system is transparent to all, and finally those that hid their state export aid in such a jungle of regulations and variations that one has a difficult time in proving their transgressions. France belongs to the middle category.

An Indispensable Instrument

And indeed, French export promotion hardly seems to be bothered by a bad conscience. Neither industrialists nor administrative authorities have doubts about the usefulness of the system, and not just since Mitterrand. As long as everything occurs within the framework of the OECD consensus, state export promotion in this country is considered to be a quite legitimate, indeed necessary, instrument that one would not like to have taken away. Nevertheless, however, it can hardly be said that the subsidies are to some extent calculable for everyone. "Discreet corners" are, after all, part of this business.

The threads of official export promotion come together in Paris at Quai Branly. Both Coface (Insurance Company for Foreign Trade) and CFCE (French Center for Foreign Trade), which serves for general promotion and information, are under the section of the French Foreign Trade Ministry known as the Direction des relations economiques exterieures. Also in their sphere of influence is the BFCE (French Bank for Foreign Trade), which was created especially for export financing. The strong position is complemented by intensive contacts with other organizations involved in foreign trade, such

as the Bank of France or the General Customs Board. A large number of smaller installations simultaneously round out and obscure this institutional network.

Exports Without Risk

Coface, the French counterpart to the Swiss Export Risk Guarantee established after the war, is structured under private law. Coface operates partially on its own account and partially in the name and for the account of the state. It is thereby possible that the multiplicity of services and conditions could give reason to suppose that in part a deliberate attempt is being made to confuse.

In any case, Coface covers practically all risks, both political and economic (which can also be insured separately), promised warranty services, product tests, the costs of fairs but also such a typical business risk as unexpected increases in production costs and, "naturally," changes in exchange rates. With premiums of between 0.36 percent (European Monetary System currencies) and 0.69 percent per year, the appropriate insurance thereby limits the exporter's exchange-rate losses (and gains) to a maximum of 2.25 percent (in the case of EMS currencies)--a good deal for the exporter considering the devaluation spiral that has affected the franc in recent years.

But Coface not only covers most risks but also almost all types of foreign business, including construction and assembly work. Not only does it thereby cover the time period between shipment and payment but even the costs of opening up markets can be insured there. The French export insurance also goes further than practically all other countries in that there is no upper limit to the financial scope. The coverage rates, on the other hand, are generally 85 to 95 percent and are not more favorable than the international norm, and also the lack of waiting times for economic risks as well as a period of 6 months for political risks are absolutely in line with conventional practice.

Coface generally covers short-term risks (up to 3 years) on its own account. However, it does have a deficit guarantee from the French Treasury. All longer-term risks, on the other hand, which make up the bulk of the business, are taken over by Coface in the name of the French state. The official terms in regard to repayment periods and interest rates are within the framework of the OECD arrangement. In general, preconditions are a cash payment of 15 to 25 percent and a foreign participation in the project value that does not exceed 40 percent when the place of origin is the EEC and 10 percent in all other cases.

A Deficitary Business

The costs of the insurance are divided into an open and a "hidden" part. Depending on the sort of purchaser (public or private), the type of covered risk and the existence of guarantees, the direct costs, which are added to the interest rate for the credit, comprise approximately 0.3 to 1.2 percent of the project total. The exporter must include the indirect premium in his

selling price. It is determined from case to case and is not subject to any precise criteria, but not least the varying country risk comes into play here.

One cannot contend that this system alone represents strong subsidization and thus distorts the competitive situation. Still, to date in business circles it has been estimated on the basis of the high losses that the Coface insurance does indeed involve a subsidy element of about 10 percent. The record deficit shown for 1982 to Fr2.4 billion for the operations carried out on the account of the state (among total reimbursements of Fr6.4 billion) would appear to require an upward correction of this estimate.

It seems striking that in France, after all, about a third of total exports is insured with Coface, compared with less than 10 percent in the case of the corresponding organization in Germany. To be sure, cause and effect cannot be separated precisely, but doubtless this shows the strong orientation of French exports toward the Third World, which has nothing to do with a colonial past and a worldwide orientation of foreign policy, but without doubt shows, among other things, a lack of ability to compete in marketing areas that more closely obey market laws.

Expensive Preferential Interest Rates

In France, state export financing itself occurs through BFCE, which was established at the same time as Coface, as well as through the Bank of France. It is based more on the refinancing of commercial banks at favorable conditions than on the giving of direct credits to buyers and exporters. The codified conditions are likewise in harmony with the stipulations of the OECD consensus. Thus short-term credits (up to 18 months) do not receive any preferential interest rates at all but are financed or refinanced through the commercial banks at market conditions. For medium- and long-term credits, there must first be a Coface guarantee.

The preferential interest rate for medium-term credits (2 to 7 years), which corresponds to the minimum interest rate of the OECD consensus, results from a mixture of the preferential discount rate of the Bank of France (currently 6 percent) for a part and the base interest rate of the banks for the rest. Added to that are the commissions (usually about 1 percent) and the Coface premiums. In the case of a term longer than 7 years, BFCE enters into action with direct credits or through the refinancing of bank credits, whereby it refinances itself for this credit grant in excess of 7 years in the capital market, in Switzerland as well or through the treasury. In principle, preferential credit is granted for all non-EEC countries. As in the case of the insurance, there is no upper limit, and self-financing is not necessary, as the full contract value is financed. An additional favorable form of financing involves the issuing of credits in foreign currency. There is a growing willingness on the part of buyers to enter into such loans, so that with the exception of the Eastern Bloc countries, this appears to be the coming form of French export financing. The newer projects, then, are handled almost exclusively in this way.

The subsidization of French export credits becomes clear when one considers that the consensus interest rates are currently fluctuating between 10 and 12.4 percent and market interest rates in France are around 14.5 percent (the average rate for long-term obligations). For about FR82 billion granted in new loans in 1982, it thereby involves a sum of Fr2 or 3 billion. That is more than Fr50 per capita annually with which French exports are subsidized through this channel alone. Altogether in 1982, BFCE increased the total of outstanding export credits by 21.1 percent to FR185.6 billion. The emphasis is thereby on medium- and long-term customer credits and--in geographic terms--on Africa.

Discreet Niches

The most efficient and at the same time the most controversial, although certainly not the most important, part of export promotion is doubtless the so-called mixed credits, that combination of export credit and development aid which until 1978 was practical almost exclusively by France. In the meantime, it has become common practice in many states and can lead to conditions well under the consensus. Such a financial package is generally characterized by extraordinarily low interest rates, an extremely long repayment period and an initial period with no repayment. The Central Fund for Economic Cooperation, for example, whose activity is entirely oriented toward Africa and the French overseas areas and whose credits make up between one-fifth and one-fourth of French development aid, offers loans with terms of up to 30 years and interest rates between 1.5 and 5 percent. After all, in 1982, the total engagement abroad amounted to Fr3.7 billion, Fr2.6 billion of which was under such preferential terms. The credits are linked to purchases in France, and when on the average each loaned franc leads to exports of 2 francs, as stated by Roland-Billecart, the bank's general manager, then that is not least because beyond that aid loans and subsidized BFCE credits are de facto linked together, whereby "de facto" can definitely indicate a tacit agreement.

That is equally true for the quantitatively much more important "Kredite des Tresors." At first glance, to be sure, their importance does not seem great. In 1982, public development aid, for example, was Fr17.2 billion, and 14 percent or Fr2.4 billion of that involved such preferential treasury loans, with which the preferential portion of between 20 and 50 percent of the mixed credits was financed. If one considers that French exports amounted to Fr606 billion, then this is less than 0.5 percent. If, however, one compares the exports of Fr33 billion to the franc zone and to the overseas areas (DOM-TOM), then one can see that in many "individual cases" --geographically and by projects--France can indeed receive extra orders.

The french mixed-credits program, then, has indeed experienced a rapid expansion in recent years. Whereas in 1979 and 1980 its proportion of public development aid was 11 percent in both years and thus the absolute sums were Fr0.9 and 1.1 billion, respectively, in the last 2 years it reached 18 and 14 percent, respectively, whereby nominally the sums more than doubled to Fr2.5 billion in 1981 and Fr2.4 billion in 1982. In part, all of this is an expression of the French understanding of export promotion, which

believes that the crisis can be met through subsidies. It is no less an indication, however, that many other countries have not been asleep and have parried the French mixed-credit system with similar programs. In view of the state's financial situation, it now seems hardly likely that France could win this variety of the subsidy race, which it itself has provoked.

9746

CSO: 3620/26

CREUSOT-LOIRE TO TARGET ENERGY TECHNOLOGY, MASS TRANSIT

Zuerich NEUE ZUERCHER ZEITUNG in German 6 Oct 83 p 13

[Text] The industrial landscape has been in continuous movement since the Socialists won control of the government in France. After cases of nationalization, it is now time for restructuring and reorganization. However, what is involved is not always merely the creative will of industrial politicians. In the case of the latest "victim," Creusot-Loire, which belongs to the Empain-Schneider concern and which itself sought state help, it involves a true case of economic reconstruction.

After Didier Pineau-Valencienne, general manager of Schneider, also took over the management of Creusot-Loire beginning 1 January 1983, it became clearer from month to month that the optimistic forecasts of his predecessor, Philippe Boulin, had to give way to a more sober estimate of the situation. Consolidated losses of more than Fr500 million last year with the danger of twice that much this year, a debt of Fr3.5 billion and the erosion of its own resources spoke for themselves. In May 1983, Pineau-Valencienne summarized the dismal mood by suggesting the possibility of depositing the balance. In the presentation of the chief of Creusot-Loire, there was a financial requirement for Fr7 billion to rehabilitate the enterprise. The recovery action, for which the state and the directors of Creusot-Loire and Schneider S.A. have now given their approval in principle, is not quite equal to these maximum demands; it is indicated to be about Fr6 billion.

State Help for a Private Company

In the long term, the important part of the package doubtless involves the transfer of the group's iron and steel activities to the two state steel concerns Usinor and Sacilor. Observers consider it probable that the departments of Ondaine, Pamiers and Saint-Chely will go to Usinor, while the subsidiary Imphy (1982 losses: 200 million), on the other hand, will go to Sacilor. The amputated area corresponds to sales of about Fr2.5 billion and employs about 6,700 people. In this way, Creusot-Loire can free itself from the main source of losses. With consolidated losses of Fr700 million in the years 1980 through 1982, losses attributable to iron and steel amounted to Fr1.7 billion, and of the total financial requirement of Fr2.85 billion in the same time period, Fr2.3 billion is absorbed by this sector.

Creusot-Loire, however, cannot entirely free itself of iron and steel. The foundry and forging operation in Creusot, along with the sheet-steel production TFCM (Creusot and Chateau-Neuf), with sales of about Fr1.4 billion and 2,600 employees, after all, are remaining with Creusot-Loire. For the time being, the American subsidiary Phoenix Steel (1982 losses: Fr140 million) must continue to be dragged along. Meanwhile, Pineau-Valencienne left open no doubts that keeping this operation is more in the interest of the government than of Creusot-Loire, for there can hardly be any talk of synergetic effects with equipment construction.

It is not without irony that since the change in power in Paris it is one of the few large private companies in the country, of all things, that must almost continually be happy to receive state help. Thus as early as 1981, Schnieder was freed of its Societe metallurgique de Normandie and of the machine-tool subsidiary Ernault-Somua. In the case of the current transfer of additional steel activities to the state, however, Pineau-Valencienne has good arguments. Almost nowhere is steel produced and sold today under market conditions; with the approval of the authorities, the steel industry in the EEC received FR61 billion in direct public assistance between 1980 and 1982. Thus Creusot-Loire was never able to compete on the same basis with either national or international state competition.

Substantial Sacrifices

In no way, however, does the liberation from the important sources of losses come without cost to Creusot-Loire. The reduction in the participation in the nuclear-reactor builder Framatome, a collective corporation, from 70 percent to 50 percent in favor of the Commissariat a l'energie atomique, which thus also has 50 percent participation, is doubtless a substantial sacrifice. The enterprise, worldwide one of the leading producers of nuclear power plants, was among the gems of the Creusot-Loire group and had profits of Fr276 million in 1982 out of sales of Fr4 billion. Thus the "asset stripping" of Creusot-Loire will also have an effect on future profitability, even though nothing is to be changed in regard to management. Officially, the selling price is not being publicized by the two firms. According to estimates, the move may give Creusot-Loire somewhat less than Fr500 million in fresh money.

The most important immediate aspect of the operation, however, is not the new industrial semblance but those agreements that are to assure the financing of Creusot-Loire. A consortium of the most important commercial banks and financial institutes will convert existing short-term obligations into an investment credit in the amount of Fr1 billion and will also grant a participatory loan of Fr500 million. The state, in turn, will likewise provide Fr500 million in the form of a participatory loan. In addition, a convertible loan for Fr500 million is to be issued through Creusot-Loire. Finally, the parent company, Scneider S.A., will effect a subsidy of Fr720 million (of which Fr220 million is a conversion of existing subsidies) in capital resources through an increase in capital.

Reduction of 4,500 Jobs and a Tightening of the Organization

In accordance with the desires of the Creusot-Loire management, the three apparent corner posts of the support action--elimination of sources of losses, "asset stripping" and financial aid--are, according to their nature, to be included in a comprehensive reconstruction strategy. This strategy involves an internal tightening up of the activities, the elimination of around 4,500 jobs and the sale of various smaller holdings. In the final analysis, the goal would be again to make the conglomerate, which has a history of 200 years and has become completely immobile and monotonous through numerous fusions, into an enterprise with a clear profile. Two focal points, however, present themselves for development: energy technologies and mass transport.

In nuclear energy, Framatome is, in its own words, the world's leading producer of power plants, whereas Creusot-Loire is an important supplier. The Creusot-Loire-Neyrpic group, in turn, produces practically the entire spectrum of turbines for hydroelectric power plants, from classical turbines for storage dams to pumping turbines; the most prestigious order thereby is that for the Itaipu Dam in Brazil. Creusot-Loire also provides compressor and refrigeration stations for the transport of natural gas--for the Siberian natural gas pipeline, for example. The second focal point for the new Creusot-Loire may well be mass transport, where Creusot-Loire (Francorail) can point to the world speed record for railroads (TGV high speed trains) or to the provision of vehicles for the New York Metro for technical and commercial pretenses.

In the Black Beginning in 1986?

The "shrunk" Creusot-Loire (without Framatome) with about 15,500 employees and Fr11.5 billion in sales would, to be sure, no longer be among the very large companies in the country. However, there seems to be no doubt that it could gain in effectiveness. And its export rate, if one extrapolates the last 5 years, would still be near 65 percent. But it is still in no way certain that the enterprise will actually be in the black beginning in 1986, in accordance with the plan. The cuts that Creusot-Loire had to make from its original reorganization plans give reason for this skepticism, as does the difficult worldwide situation of the equipment branch as a whole.

9746

CSO: 3620/24

BUDGET BILL CRITICIZED BY BUSINESS, LABOR GROUPS

Content of Budget Outlined

Oslo AFTENPOSTEN in Norwegian C Oct 83 p 33

[Text] Despite hopes of continued economic recovery and an expansive economic policy, the Norwegian economy will in 1984 experience a growth rate which is clearly lower than the average growth rate of industrialized countries in the West. The industrial production is expected to increase slightly, but the danger of continued unemployment still exists. The government expects a continued decline in the rate of price increases and stresses emphatically the need to limit wage increases to 5 percent in order not to weaken the competitiveness of Norwegian industry.

Key Figures of National Budget

The government's evaluation of the economic developments in this country in 1984, as presented in the national budget, may be summed up as follows: (comparable figures for 1983 in brackets):

The gross national product (GNP) for mainland Norway, i.e. excluding oil and shipping, is expected to increase by 1.4 percent (0.7 percent in 1983). The total GNP, however, will show a decline of 1.9 percent (increase of 1.6 percent). This figure, as all of the following figures, appears after allowing for the usual downward adjustment by 15 percent of the oil prognoses.

The domestic demand beyond changes in stockpiles will increase by 3.7 percent (2.8 percent). The private consumption is expected to increase by 1.7 percent (0.8 percent), while the growth in the consumption of the public sector will be limited to 0.9 percent (2.9 percent). Gross investments will increase by as much as 9.6 percent (6.8 percent), mainly as a result of a very sharp increase in investments within the oil sector, which will increase by 38.9 percent. Investments within the housing sector remain unchanged, whereas the government expects an increase in industrial investments by 2 percent.

The net current account will show a surplus of 600 million kroner (10.7 billion kroner). Total exports show a decline of 3.1 percent (up 2.1 percent in 1983) as a result of reduced exports of oil and gas. Traditional

commodities exports are expected to increase by 5.0 percent, as has been the case this year. Total imports will increase by 2.6 percent (down by 2.2 percent), while traditional commodities imports will increase by 5.5 percent (down by 3.2 percent). The surplus of the exports and imports and services account will amount to 17.6 billion kroner (27.5 billion kroner), while the interest and transfers account will show a deficit of 17 billion kroner (16.8 billion kroner).

The industrial production will increase by 0.7 percent following several years of low growth rates. Nevertheless, the industrial production will be 7-8 percent lower than during the record year of 1974. The oil and gas production will decline from 54 million tons of oil equivalents this year to 52 million tons.

The employment rate, measured in terms of persons employed, will be expected to increase by 1 percent. Large generations of young people and increased employment frequency may make it difficult to avoid higher rates of unemployment with such a development.

Consumer prices are expected to increase by 6 percent. There is a clear danger, however, that the rate of increase may show another increase toward the end of the next year.

The rate of increase in wages should be limited to 5 percent. With unchanged exchange rates, such a wage development will ensure that the competitiveness of Norwegian industry will not deteriorate after an improvement by approximately 5 percent from 1982 to 1983.

The financial policy is extremely expansive with a deficit on the state budget before loan transactions, and beyond oil taxes, which corresponds to 7.3 percent of the GNP. The contributions of the state-owned sectors to the growth in the total money supply will amount to 9.3 percent (8.8 percent).

The credit policy is referred to as being tight and provides a total supply of credits of 39.6 billion kroner, which, in terms of current kroner, corresponds roughly to that of 1983. The lending by private banks may increase by 15 billion kroner, i.e. 1 billion kroner more than this year. The total growth in the money supply, after allowing for foreign exchange purchases, will amount to 10.2 percent (10.5 percent).

If one disregards the downward adjustment of oil revenues, the GNP will show a decline by 0.1 percent. The balance of payments will show a surplus of more than 14 billion kroner this year and well over 10 billion kroner for 1984.

Central Bank Director Comments

Oslo AFTENPOSTEN in Norwegian 6 Oct 83 p 33

[Text] The budget bill for 1984 shows that the government has strained the budget to the absolute limit of what may be considered justifiable, as far as the effects on the total demand are concerned. With such a budget, nothing will be left for further grants. These comments on the budget for the next year were made by Hermod Skånland, director of the Central Bank of Norway.

He points out, at the same time, that he does not consider a reduction of the interest level fixed by the administration to be desirable. "It is hard to see that there will be anything in particular to gain in the form of increased employment from such a measure," he says.

Skånland is especially concerned at the effects of the budget bill for 1984 as it may aggravate the problems in the subsequent years, which will hardly be any easier than in 1984. He points out, among other things, that the government itself warns that in the next few years there will be nothing more to fetch from the oil sector, even if one disregards the usual downward adjustment of the oil prognoses.

"Nor may it be said that the strong stimulus to the demand provided by the budget is counteracted by a corresponding tightening of the credit policy. Even with somewhat less optimistic price conditions than those assumed by the government, one gets a credit trend which cannot be described as tight," he says.

The government's assumption that Norway is now experiencing a moderate international economic upswing gives to an even larger extent rise to the question whether such a greatly expansive economic program has been adapted to the actual situation, says Skånland, who fears that the rate of inflation will again show signs of increase beyond 1984.

"Will it be possible to carry through the proposed credit policy measures without any tight controls?"

"If nothing happens to the demand for credit, and we have not as yet seen any signs of a declining demand for credit, it is to be expected that the said proposed measures will require tight controls. There is, however, reason to question their effectiveness," says Skånland, who points out that controls as far as volume is concerned are difficult to maintain over a long period of time. Private banks are now subject to direct lending controls, as savings banks were last year as well.

"The equilibrium interest rate might possibly drop to the interest level we now have. But this possibility will become smaller if the interest rate is pushed further down through administrative measures."

Skånland does not believe that the employment problems now experienced are particularly a phenomenon of the economic trends. The ordinary policy measures for adjustment of the demand, therefore, are not very suitable for solving these problems, Skånland says. He, moreover, is skeptical of the effects on the employment situation of an interest rate reduction to be fixed by the administration.

Banking Group Leader: Too Optimistic

Oslo AFTENPOSTEN in Norwegian 6 Oct 83 p 33

[Excerpts] We very much question the possibility of achieving the objective of the government of a 6 percent price increase next year in view of the planned increase in the money supply. The growth rate within the public expenditures is too high, and the public sector uses a far too large share of the gross national product. The said growth rate is particularly unfortunate now that we are experiencing an economic upswing, Trond R. Reinertsen, managing director of the Norwegian Bankers' Association, tells AFTENPOSTEN.

Labor Against Pay Ceiling

Oslo AFTENPOSTEN in Norwegian 6 Oct 83 p 33

[Excerpts] The central organizations of the country's employees oppose the fact that already in its budget proposals the government puts a ceiling on pay increases and thus on the collective bargaining next year. They object because they find that the said pay ceiling is contrary to the principle of the right to negotiate, and they object to the very ceiling of 5 percent, which the government says that it will seek to carry through within all groups controlled by the state. The Norwegian Employers' Association, however, finds that a 5 percent wage increase is a high objective in view of the fact that the very wage drift this year amounts to approximately 6 percent.

Tor Halvorsen, chairman of the Federation of Trade Unions, said at a press conference yesterday that the Federation of Trade Unions cannot accept the government's pay ceiling, and his comments seem to indicate that the Federation of Trade Unions will more or less ignore the fact that the pay ceiling proposal has already been presented. We take note of it but we shall prepare the collective bargaining in the spring on the basis of our own economic calculations, the chairman of the Federation of Trade Unions said. The demands of the Federation of Trade Unions will not be converted into exact figures until closer to the collective bargaining date.

The Federation of Norwegian Industries takes a positive view of the proposals for tax reliefs for persons and of the growth-stimulating measures to be launched. The Federation of Norwegian Industries, however, finds that the measures are not far-reaching enough.

"The budget bill for 1984 involves an economic policy which is at least equally expansive as the one of the present year," the Federation of Norwegian Industries says, pointing out that the growth in the money supply will be at least equally large as in 1983. If one is to avoid weakening the competitiveness by keeping the rate of wage increase below 5 percent, there will be extremely little left for central and local wage negotiations next year, it points out. The Federation of Norwegian Industries takes a positive view of the fact that the government will take the lead in showing moderation where the state participates in fixing wages.

Newspaper Gives Cautious Approval

Oslo AFTENPOSTEN in Norwegian 6 Oct 83 p 2

[Editorial: "Without Pronounced Features"]

[Text] Prior to the presentation of the budget many had a well-founded hope that the government would display both courage and determination in preparing the economic program for 1984. For it was due to the very recognition of the big unsolved tasks ahead of us that the nonsocialist minority government last June was expanded to a majority government with participation of the Conservative Party, the Christian People's Party and the Center Party. Today, we, unfortunately, have to recognize the fact that the said expectations were not fulfilled. Even if, in his finance speech yesterday, Minister of Finance Rolf Presthus, in a convincing way, argued for the right and necessary policy, the budget bill and the economic program for next year show that the result only to a small degree comes up to the good intentions. We have got a budget without any pronounced features. The weaknesses of compromises have seldom been as evident.

We are on the right track, the minister of finance claimed when presenting the budget bill and "The Yellow Book," Storting proposal No. 1 on the national budget for 1984. As far as it goes, the evaluation by the minister of finance is entirely correct, and his analysis of our present economic situation gave an equally adequate idea of problems and challenges. Even if our unemployment rate is low by international standards, Presthus stressed that the government views it as the biggest and most serious challenge with which we are faced in the economic policy. For this very reason, and against the background of the statement made by the government last June, one should be fully entitled to repeat the question why the government and its three parties have not taken the consequence of their earlier assurances of coming powerful measures to improve the competitiveness and restore the power of growth within the Norwegian economy. If one agrees on the objective, one presumably also wants to employ the means.

Uneven Distribution

The chairman of the Federation of Trade Unions, however, failed to see that the proposed tax reductions would essentially affect the incomes issue. The tax reliefs will not be distributed evenly, and only the higher income groups will benefit by them. It will be a task in the wage negotiations to seek to even out this difference, he said.

Tor Halvorsen was also concerned that a reduction of the interest rate has not been proposed. As a result, we get a real interest in this country of 6 percent, and that is a record, he said. The high real interest rate, together with the reductions of corporation taxes and taxes on capital will, in the opinion of the chairman of the Federation of Trade Unions, not create a climate for growth in industrial investments, which he finds important in order to increase the rate of employment.

The chairman of the Federation of Trade Unions could in no way describe the budget bill as expansive. The main weakness of the budget bill is that it shows no way out of the unemployment problem. The government programs for increased unemployment, he said.

Harald Skuggedal, chairman of the Norwegian Employers' Association, on the other hand, finds the budget bill more expansive than previously, and he finds this a positive feature of the budget. However, he deplored the fact that no positive proposals had been presented to reduce the unemployment among the groups organized by the Employers' Association, such as university graduates recently graduated, who will receive no unemployment benefits if they cannot find jobs in the job market.

Also the Federation of Salaried Employees Within the Private and Public Sectors says that the unemployment rate will increase next year, and it says that the budget should put greater emphasis on the public expenditure and investments, and that already at this point more funds should be earmarked for measures in the labor market. Families with children should also be supported either by omitting to reduce the food subsidies or by increasing the subsidies to families with children, the Federation of Salaried Employees within the Private and Public Sectors says.

Industry Leaders: Lacks Stimulus

Oslo AFTENPOSTEN in Norwegian 6 Oct 83 p 33

[Excerpts] As a whole, the budget bill does not provide the stimulus needed to ensure the necessary creation of assets in Norwegian industry, the Federation of Norwegian Industries states in its very critical comment on the budget bill. "It is disappointing that the government has failed this time as well to reduce the growth in the steadily increasing transfers to the state and social services budgets," the Federation of Norwegian Industries states.

One would think that the fiscal policy would play a central role in this connection. If there has ever been a need for the much discussed dynamic fiscal policy, it is, of course, especially in a period of stagnation when the main task will be to set the wheels of industry turning and to start new activity. To this comes that tax reliefs are one of the most important means to moderate increased costs and to make Norwegian enterprises more competitive. We here touch on fundamental problems of the Norwegian economy, and it would, no doubt, be in accordance with the government's own reasoning to apply a more offensive strategy to get over the hump. The more so since the government in its report to the Storting on the state of the nation, read by the King, clearly stated that as long as the basic economic problems have not been solved, there is reason to fear continued unemployment.

If we are to reach the high level of our ambitions as far as employment and welfare are concerned in a world with large-scale unemployment, our competitiveness will have to be improved further, the minister of finance stated in the Storting yesterday. Yes, indeed. Let this recognition be the motive power in our economic policy.

7762
CSO: 3639/6

ROBOTICS SEEN AS NECESSITY FOR SPANISH INDUSTRIAL PROGRESS

Madrid EL PAIS in Spanish 24 Oct 83 p 26

[Article by Malen Ruiz de Elvira]

[Text] The automation of industry through the use of robots and flexible manufacturing processes (tailoring production methods to market needs) represents the latest industrial revolution, one that is now beginning to take hold in Spain. "Incorporating these technologies and processes is not a question of choice; it is the only way that Spanish industry will remain competitive," asserts Manuel Alique, the chairman of the organizing committee of the Robotics and Flexible Manufacture Symposium, which begins tomorrow, Tuesday, in Madrid.

A robot is a mechanical system in which each joint is operated by a servomotor, which in turn is controlled by a computer program. The definition of an integrated flexible manufacture system is more complicated. This is another topic to be discussed at the Robotics and Flexible Manufacture Symposium that is being organized by the Institute of Industrial Automation and the Cybernetics Institute, which are part of the Higher Council for Scientific Research (CSIC).

A true robot is highly maneuverable, because the orders imparted to it depend on the software, which can, if necessary, be changed. There are other devices called pick and play which are not really robots because they are less complex. "The statement that there are 100,000 robots in Japan is not true," Manuel Alique, the director of the Institute of Industrial Automation, points out, "because there probably aren't more than 15,000 true robots. The rest are sophisticated machines that aren't in this class."

Flexible manufacturing systems attempt to optimize every aspect of industrial production (materials, costs, services, energy, wages) by making use of production methods that are tailored to the needs of the market at any given moment. These systems, which have already been successfully tested in the automobile industry, parts mechanization, watchmaking, etc), combine robotics, the digital control of machine tools, automatic design...all based on microelectronics and data processing.

Loss of Competitiveness

"If we miss this train," Alique asserts, "the lack of competitiveness of our products will lead to the shutdown of many companies. Although it is true that robots could eliminate many routine jobs, they could largely be made up through the manufacture of the robots themselves. What we cannot afford to do is lose jobs by importing robots, which would create jobs in other countries." The most advanced countries in this field are Japan and the United States.

As in computers, there are different generations in robotics. The first-generation robots, which are just now coming into use, are employed mainly for painting, soldering and moving cargo, and their use in assembly-line work is being researched. Second-generation robots, which have not yet emerged from the laboratory, will be outfitted with devices enabling them to see or hear, although they do not necessarily have to be modeled after the human senses. For example, it might be advantageous for robots in a given industry to have sight in the infrared segment of the light spectrum or to be sensitive to ultrasound.

The first robots with sensory elements might be on the market by 1985. Robots could then cease to be stationary machines and begin moving from one job to another, avoiding unforeseen obstacles and selecting materials to perform their tasks.

According to one of the papers that are going to be presented at the symposium, there are currently 300 robots in operation in Spain, but demand is expected to rise to 1,500 over the next 5 years. A considerable number of robots will soon be installed in the automotive plant that General Motors has built in Zaragoza, but they will be imported.

A Swedish company has begun manufacturing robots in Spain, and a major motor vehicle manufacturer might follow its example. Aside from this, the CSIC and the National Institute of Industry (INI) are involved in a joint research project to develop a Spanish industrial robot.

"According to an American report, a robot properly integrated into a production system has a value added of \$30,000 (4.5 million pesetas), and its manufacture creates two job posts," Alique notes.

The Robotics and Flexible Manufacture Symposium, which will be held at the headquarters of the CSIC, will take a pragmatic, realistic approach and is intended as a gathering for researchers, technicians and industrialists. They will discuss essential economic and social issues and the future development of robotics. Experts from countries that could be regarded as similar to Spain, such as Italy and Bulgaria, will take part.

IRAN REPLACING IRAQ AS A LEADING EXPORT MARKET FOR SWEDEN

Stockholm DAGENS NYHETER in Swedish 12 Oct 83 p 8

[Article by Christer Nilsson: "Exports to Middle East: Iran Replacing Iraq"]

[Text] Iran is becoming increasingly more important as a market for Sweden's exports, whereas Iraq is becoming less so.

The war between the two countries has affected Iraq more adversely. This week at a seminar on export and its risks in the Middle East, bank director Anders Lundqvist of SEB International revealed: "Iraq is now taking over Iran's position as Sweden's most important export market in the Middle East after Saudi Arabia."

The seminar took place in Stockholm and was hosted by the Stockholm Chamber of Commerce and Skanrisk, a Bahrain-based risk insurance company co-owned by several Scandinavian insurance companies and the consulting agency VBB-Sweco.

Lundqvist delivered a forecast of trends up to the end of 1985 for Sweden's four most important export markets in the Middle East: Saudi Arabia, Iran, Iraq and the southern Persian Gulf states of Qatar, Kuwait, Oman and the United Arab Emirates.

Lundqvist estimates that the value of exports to Iraq will decline sharply to 3/4 billion kronor by the end of 1985. The first 6 months of 1983 saw Sweden's exports to Iraq total 5.64 billion kronor, a drop of 61 percent compared to the first 6 months of 1982.

Iran is making great headway, and the value of Swedish exports there this year will total 3 billion kronor, calculates Lundqvist.

Exports to Iran have increased in value by 203 percent from June 1982 to June 1983. In the first 6 months of this year, they totaled 1.4 billion kronor.

No other country of importance even approaches this increase.

Iraq's endangered position is caused by its war with Iran. Many observers thought that the war would be a brief one when it began 4 years ago.

Iraq was supposed to make short work of a chaotic Iran, but today it appears that the reverse might be true.

"Iraq is now requesting credit for almost all its transactions. It is renegotiating to switch from cash contracts to credit contracts," says Lundqvist.

The war is presently costing Iraq 1 billion U.S. dollars a month and has cost approximately 100 billion dollars altogether.

Confidence in Iraq

Iraq must produce 2 million barrels of oil per day just to manage its budget. Its current production is less than 1 million barrels per day, although it normally has a capacity of 4 million barrels per day.

"I have painted an extremely negative picture, and justly so," remarked Lundqvist, though placing his confidence in Iraq in the long run. However, he also labeled any thoughts of peace arriving in 1984/85 as "pure dreaming."

Iran adopted a new 5-year plan in March of this year. Investments will be concentrated on relocating industry away from the large cities, on transportation, electrical power and agriculture.

Iran is looking forward to an 8 to 9 percent annual increase in its GNP during this 5-year period.

"Judging from the way things look now, I think they will be able to achieve this," says Lundqvist, stressing that the Iranians are reliable in business matters.

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CSO: 3650/13

HEAD OF NATIONAL DEBT OFFICE DISCUSSES FOREIGN BORROWING

Stockholm DAGENS NYHETER in Swedish 10 Oct 83 p 8

[Article by Lennart Ekdal: "Tough Time Ahead for Heads of National Debt Office: Must Borrow 50 Billion"]

[Text] "I won't be surprised if the state's borrowing at the banks should increase during the fall," says the head of the National Debt Office, Lars Kalderen. "It might be necessary if the other market doesn't respond to our enticements," he adds.

DAGENS NYHETER met with National Debt Director Kalderen and Sven Heurgren for a discussion of Sweden's debts. Heurgren was formerly chairman of the National Debt Commission.

"It's an interesting field, one that's playing an important role nowadays," he said cautiously, speaking of Swedish borrowing and debt policy.

Both abroad and here at home, the National Debt Office borrows the money needed by the state to cover the budget deficit of around 90 billion kronor.

The two men have a hard row to hoe if the office is going to be able to cover this year's deficit. About 50 billion kronor must be raked together this year yet.

The deficit continues to mount during the fall months. The municipalities are due their money, surplus taxes must be paid out, etc.

There is still an extensive need to borrow here at home, and this could cause a great strain during the fall on not least the banks.

Swedish banks today are strictly regulated by so-called liquidity and cash quotas. This means that they must invest a certain amount of all in-coming money in treasury bills.

All parties agree that the state must try to borrow, to absorb, as much money as possible outside of the banks.

Half-time Job

Our large budget deficit dilutes the liquidity in the consumer sector by increasing the money supply. This in turn spurs inflation. So it is a matter of luring as much surplus capital as possible--all the millions that business would normally be investing if times were good, for instance.

Kalderen will soon complete his 7th year as director of the National Debt Office and has witnessed a drastic increase in the Swedish national debt during his tenure.

"In my first year with the debt office, the national deficit was around 11 billion. Today it is 90 billion. Sweden's sum total debt then amounted to 68 billion. At present, it is over 400 billion," he says.

"My predecessor enticed me with talk of a 'half-time job'...well, he didn't say that exactly, but it was supposed to be cozy and cushy," remembers Kalderen.

For the remainder of 1983, the debt office is pinning its hopes on new national bonds, lottery bonds and savings bonds together with the successful national debt bills.

The premium market is no longer what is used to be, not as "fun," some say. Nowadays, people can advance order as many lottery bonds as they wish, at least during the borrowing this fall.

Says Sven Heurgren: "After all the criticism we got from the small savers who missed out on earlier bond sales, this is a logical step. It can't be helped that the secondhand market is being dealt a blow now."

Professional lottery bond traders now think that the National Debt Office, by borrowing so heavily, will ruin the secondhand market and make it impossible to buy and sell these bonds at reasonable prices during their period of validity.

As Kalderen points out, this will still serve to deprive the lottery bonds of tax advantages in addition to the interest drawn--for example, the advantage offsetting stock gains with capital losses on older lottery bonds.

It is a matter of just how important it is for the National Debt Office to protect this possibility. Top priority is obviously now being accorded the small savers--roughly, the ones who regard government lottery bonds as a kind of lottery ticket.

It is highly uncertain to what extent the new public savings program starting 1 January 1984 will be able to enhance the national treasury. Funds will flow from the banks directly to the debt office. Actually, Swedish households at present save minimally. For several years in succession, incomes have dropped. The tax reform makes rules governing deductions more severe. Many intend to use savings capital to repay old loans.

The debt office's most valuable asset will likely continue to be the national debt bills. In July 1982, these bonds were released in values of at least 1 million kronor. The idea was partly to borrow money outside of the banks and partly to absorb the money that business firms did not wish to risk investing during the economic downturn.

Several Risks

The state has already attracted about 60 billion kronor with the bills. As these begin to mature (most of them run a year), it becomes more difficult to increase the volume. Moreover, there is always the chance that industry will begin investing its idle capital in new equipment and plants instead. There is also the chance that the debt office will be forced to increase the interest on national debt bills in order to maintain the volume. So far, the interest has been somewhere around 0.25 percent higher than that of competing bonds, e.g., bank certificates.

Sven Heurgren is seeking a greater commitment on the debt policy from politicians. Presently, the task of the debt office is to borrow enough to offset the budget deficit, and no more.

One point that concerns Kalderen and Heurgren is the shorter and shorter terms of maturity for state loans. For instance, no domestic loans run longer than 10 years today. The international trend is the same. After the oil crisis and the drop in production in the industrial countries, uncertainty is great in the international capital market.

In this connection, Heurgren described the 27-year bond loan that Sweden obtained in England this January as a "unique transaction."

Things have gone smoothly this year for Sweden's foreign loans, especially if one considers the fact that in South America only Colombia is discharging its debts according to the original agreements. On several occasions, Sweden was able to raise the loan amounts because the lenders were very generous. These successes are not due simply to bigheartedness. In Sweden's debt program, the foreign loans with their heavy interest expenses are the principal concern.

The interest service on foreign loans is a net drain of several billion annually. Not a bit of it comes back.

Capital in the U.S.A.

Sweden did not take out its first loan abroad until 1977. At that time, it was thought to be a one-time measure. Little did one suspect then that there would be a second oil crisis and the consequent global recession.

Sweden attempted to maintain employment as long as possible, thus causing its debts to skyrocket.

The debt crisis of countries abroad has dramatically worsened the past year. At the same time, the OECD [Organization for Economic Cooperation and

Development] member countries are being plagued by budget deficits of considerable magnitudes. Struck by the contradiction, people are wondering what has happened to all the capital.

Kalderen thinks that the answer is clear: it's in the United States. Although the United States is indeed bothered by large running budget deficits, there are also large flows of capital moving into that country. Capital is always available there.

Money can also be found in central banks, in multinational firms, and billions in the hands of various private individuals. The oil-producing countries' surplus from the 1970s has been largely invested in the industrial countries. And besides this, there is considerable capital floating about that might be difficult to "observe."

The Figures

The figures cited below on the Swedish national debt describe the situation for the budget year 1982/83.

--As of 30 June 1983, the national debt stood at 407 billion kronors.

--As Foreign debt grew during the budget year to 81 billion (almost 1/4 our loans were taken out abroad).

--Interest paid abroad climbed to 14 billion during the budget year.

--With borrowing at around 61 billion kronors, the state remained the largest borrower on the Swedish credit market for the 5th year in succession.

--National debt bills caused a dramatic swingaround of domestic financing; this was because the budget deficit was financed 71 percent by loans outside the banking system, as compared to 24 percent during 1981/82.

--The state had the following interest rates for domestic loans: on interest bonds, 12 to 12.75 percent; lottery bonds, 9 percent; savings bonds, 14.25 to 14.87 percent; treasury bills, 7 to 10 percent; national debt bills, 11 to 14.75 percent.

--The trade balance--the sum of exports and imports together with interest payments--showed a deficit of 17.5 billion. This balance is due wholly to the increased burden of the interest paid on foreign debts. Observers are unanimous in their judgment that this deficit will soon be reduced at least by half.

--The budget deficit was 88 billion the budget year 1982/83. An optimistic report indicates that the deficit is at present around 85 billion kronor.

COAL INDUSTRY CALLS FOR BILLIONS IN SUBSIDIES TO SURVIVE

Hamburg DER SPIEGEL in German 26 Sep 83 pp 31-32

[Text] After the steel companies and shipyards, a new petitioner appeared in Bonn this week: Coal mining needs billions of subsidies to survive.

The Bonn Minister of Economy radiated confidence. "We will do it this time too," announced Otto Graf Lambsdorff at the beginning of the month before Parliament, "We will find a way out of the coal crises."

On Thursday of this week, it will appear whether his optimism was well founded. Lambsdorff has requested a major coal council in Bonn. Tradesmen, managers, and politicians, among them his colleagues Norbert Blum and Gerhard Stoltenberg, who want to discuss the condition of the most recent crises sector, following steel and shipyards.

Since the steelmills need less coal and since coal prices have fallen worldwide, German mining is again in desperate straits. The last rescue action occurred in the sixties; when oil was pushing back coal, numerous mines were closed. The Ruhrkohle AG was founded, under whose roof the politicians for the first time surely mentioned the traditional branch. But now 35 million tons of coal are again stockpiled, 18 million tons just with Ruhrkohle alone.

"Without capacity adaptation and further government aid," fears the presiding Ruhrkohle chief Heinz Horn, "the substance of our enterprise would soon be at risk."

Tradesmen and politicians agree, how the coal business--which already receives 4.7 billion marks from the government each year--is to be saved: more money from the government and slower mining.

The IG mining chief Adolf Schmidt does not want to shut down any mines, but wants to slow down coal mining in the Ruhr and Saar by shorter work. Each of the 135,000 mining jobs in the Ruhr is associated with another job. Consequently, the economic minister Reimut Jochimsen of Northrhine Westphalia and his finance colleague Diether Posser want to collaborate. The Federal Chancellor Helmut Kohl, keeping an eye on the Parliamentary elections in Northrhine Westphalia in May 1985, in no case wants to alienate the powerful union boss.

Just like his chancellor, the Labor Minister Blüm, who has his electoral stronghold in the Dortmund area, is strong on more coal subsidies. Blüm praises the mines: "Coal has priority before steel; they have a concept and exhibit solidarity among one another."

Even Lambsdorff, unusually enough, is in favor of new subsidies; as Minister of Energy he must take care, "that coal, the sole primary energy over which the Federal Republic itself has control, does not drown."

In view of such a large colition, Stoltenberg knows that he has to pay up. But the Finance Minister does not want to put out more than is absolutely necessary.

But that already is plenty. The coal business, according to the experts, will need an additional 800 million marks coking assistance for 1983 and 1984, which has been budgeted neither in Bonn nor in Düsseldorf. With this money, the government must reduce the high coke price in Germany from a good 230 marks per ton to the low world market price of 170 marks, so that the German steel industry will purchase coal from the Ruhr and Saar mines.

Furthermore, the mining business needs higher investment assistance than those 200 million, which up to now have flowed annually from Bonn and Düsseldorf. The opening up of new coal mines has become more and more expensive, the lodes in the coal region are becoming less and less abundant the further north one has to dig.

Finally, a great deal of money will be consumed in slowing down the mining process. By means of a short working week and special vacation, Ruhrkohle will indeed have a slowing down of the growth stockpiles for this year. But the low load on the mines costs about 500 million marks, since mines work profitably only when they are loaded nearly 100 percent. These 500 million likewise are to paid by the government.

Adolf Schmidt wants to continue the short working week for the next few years. For this purpose, the Dortmund mine Gneisenau has been joined with the Haus Aden mine, and only parts of the two mines are shut down. For both measures, the Federation and the Province annually have to pay another 500 million.

To choke production a little more, and to be able to reduce the coal stockpiles of 35 million tons, Schmidt would like to have an annual 20 fully paid holiday shifts for an additional 5 years. The money is to come 68 percent from the Federal Institute of Labor, 32 percent from government assistance. Cost item: another 500 million per year. Schmidt's strongest argument for his plan: Coal stockpiles otherwise would cost 250 million annually in interest.

If things go according to Schmidt, Stoltenberg and the Düsseldorf provincial government would have to furnish 2.5 billion marks during the next five years alone. Colleague Blüm indeed thinks, "This may not become so expensive," but at the same time he wishes to tinker only slightly with payments for the holiday shifts.

Where are the billions supposed to come from: Stoltenberg surely will have to pay. Together with Lambsdorff, the Finance Minister, however, wants to reduce the subsidy costs for coal at least over the longer term. For this purpose the two min-

isters wish to persuade the steel enterprises to sell their 40 plus percent Ruhrkohl interests to the electrical business.

The thought behind the idea: The electrical utilities then should burn more coal in their power plants. But it is cheaper to provide coal for power plants than to process it expensively into coke, which is used in the steel businesses.

The steel companies again could use cheaper imported coal. The result: Stoltenberg would not have to pay so much subsidy for German coke.

The Finance Minister has already charged the federally owned Salzgitter conglomerate to sell its Ruhrkohl shares to the VEW electrical utility. Up to now, this trade has foundered on the obstacle that the two firms could not agree about the price.

Stoltenberg's complicated turn obviously does not please the Düsseldorf government. NRW Economic Minister Jochimsen is against squeezing the steel businesses out from Ruhrkohle. If this were to succeed, so thinks the Economic Minister, a further decline of coal capacity, with all its consequences for jobs in Northrhine Westphalia, would be preprogrammed. Jochimsen: "Ruhrkohle may not be squeezed together into the role of the production slave for the electric utilities."

As sole property of the electrical utilities, and not only Jochimsen suspects this, coal would not be well taken care of for a quite special reason: The utilities in any case would rather use nuclear power than coal.

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STUDY ON FEASIBILITY OF COAL GASIFICATION

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German
28 Sep 83 p 5

[Text] More than 50 percent of electric power generated in Germany is produced by burning of coal. In this process noxious matter such as sulfur and chlorine contained in the coal are freed and enter the waste gases. Methods are available which reduce noxious matter in exhaust gases; these methods are now employed in new large scale installations. For small coal burning plants this technology represents a great technological effort and thus large expenditures.

A study dealing with another concept for electric power generation is now under development in the Lurgi Coal and Mineral Oil Technology GmbH in Frankfurt. The investigation, which is supported by the BMFT [Federal Ministry for Research and Technology] starts with the premise not to burn the coal, but to gasify it in a first step, and to then operate gas fired power plants with the thus obtained coal gas. A goal of the study is to determine the effective electricity costs based on this method under German conditions.

An already completed study by the research institute of the American Power Industry EPRI (Electric Power Research Institute) shows that investment costs for installations consisting of coal gasification plant and combination power station lie several percent below those of conventional power plants including smoke gas desulfurization. This, together with the lower operating costs for this type of plant leads, as the American study shows, to electricity prices which are 17 percent lower than those of conventional power plants.

Coal gasification is a commercially available technology, which has been industrially utilized for 30 years, as for instance in Sasol, South Africa. There are now three plants in operation which are based on the Lurgi method; they process about 36 million tons of coal per year. Another plant is now being built in the United States in North Dakota which will be operational in 1984. A further plant is under construction in the Peoples Republic of China.

The new Lurgi study and also the EPRI study are based on the so-called British Gas/Lurgi slag spout gas generator in which the coal is gasified together with oxygen and steam under a pressure of 30 bar. Modern coal gasification plants,

which today are available on a large scale, all work under elevated pressures. In this method the heating gas, produced from the coal, must occupy a very small volume in which the noxious materials are contained in relatively high concentrations. This greatly simplifies gas purification.

The purification processes, in which the gas is washed intensively with a liquid, must produce a purified gas which is absolutely dust free. This cleaned gas provides an environmentally friendly fuel without any noxious matter which then can be burned in power plants.

The Regulation on Large Power Plants permits up to 400 ppm (parts per million) of SO_2 in the burnt gas. The purity of gas obtained by coal gasification is therefore considerably greater than is possible today with conventional burnt gas desulfurization technology. These low sulfur values--according to the Lurgi company--can be obtained independently of the actual sulfur content of the coal. Thus coal which has sulfur content greater than 1 percent can also be utilized.

In the slag spout gas generator based on the Lurgi method coal ash is melted and is drawn off in the liquid state. It solidifies to an environmentally neutral, glass-like slag, which can be stored without difficulty. The gas produced consists primarily of carbon monoxide and hydrogen, as well as of the sulfur liberated from the coal, which is removed before combustion. This purified gas is most suitable as heating gas, and could for instance be used in electric power plants.

There are many possibilities to utilize the purified gas. It can be burned centrally, close to the coal gasification plant, in a combination gas-/steam turbine power plant. In such a combination power plant the coal gas is burned in the gas turbine and the heat released during combustion is used for the generation of steam or electricity. Until now such power plant could only be operated with import-dependent primary energy such as oil or natural gas. Use of coal gasification--according to Lurgi--now permits operation of these power plants with coal as primary energy. Combination power plants are of especial interest for electric power generation since they can operate with efficiencies up to 48 percent.

Another concept provides for coal gasification at a central site and for distribution of the desulfurized, dust free, purified gas through pipelines to several power or heating plants which are located close to the consumers.

This model--according to Lurgi has the following advantages:

- Substitution of import independent primary energy
- Long term assurance of supplies
- Utilization of native coal
- Possibility of utilization of small coal fired plants

--Only minimal noxious contents in air

--Ability to match growth to consumption

--Uniform price structure for supply area

Utilization of coal gasification will also permit use of coal as primary energy for small power plants. This would otherwise be possible on an economic basis only with import dependent primary energy such as gas or oil, because of the environmental requirements and the associated costs.

Such small power plants would be especially useful because of their proximity to the consumers, for distribution of centrally generated heat, since long transmission lines are avoided. This also confirms to the goals of the third revision of the Federal Government Energy Program.

The Lurgi Organization views coal gasification as one further means to provide long-term assurance for the utilization of native coal, independent of its sulfur content. Coal gasification is thus a contribution to the long-term guarantee of many work places in the Federal Republic, and it at the same time decreases the environmental burden.

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INDUSTRY HAS PROBLEMS WITH PRICE OF ELECTRICITY

Duesseldorf WIRTSCHAFTSWOCHE in German 7 Oct 83 pp 23, 26

["Electricity Prices--Negotiate or Emigrate"]

Supply of economy prices electric power is not guaranteed in the Federal Republic in the view of many industries. Subsidies are out of the question"]

[Text] Rolf Rodenstock, President of the BDI (Federal Association of German Industry) is still pessimistic, even after the "October upturn," about the future of businesses in the Federal Republic of Germany. He is critical not only of "new burdens," such as, for instance, new employer contributions to social security and burdens imposed because of environmental considerations. He is fearful about the competitive ability of some parts of West German industry, "because of the, in terms of international comparisons, high German electricity costs, which are primarily based on politically inspired delays and cost increases in connection with the development of nuclear energy and on increased environmental constraints affecting power plants." A further increase in electricity prices, lamented Rodenstock before the Association of Bavarian Electrical Power Stations, must therefore be avoided under all circumstances.

Managers of electricity-intensive industries have already, for many months, observed how much better off foreign competition is as far as energy costs are concerned. According to studies by the head organization of German industry, the French pay--thanks to massive support by the Government of the government-owned Electricite de France--25 percent less than Germans for their electricity. Americans pay 30 percent below the German level. And the Swiss, Swedes, and Canadians provide power to their electricity-intensive industries even at still lower prices, thanks to the abundance of water power. In these countries electricity prices are 40 percent (Switzerland), 50 Percent (Sweden), and 60 percent (Canada) lower.

Such differences in electric rates can become a real threat to some industries. Thus nearly four fifths of the total production cost of carbide is for electricity. The share for inorganic acid production is just a bit below that figure. And in the production of aluminum electricity costs are about 40 percent of the total costs.

Possible consequences of this situation "could be the relocation of industries--also into western foreign countries--sounds a warning of the German Chamber of Industry and Trade in an energy policy position paper: "This process clearly has already begun: some enterprises are today already renouncing investments."

This threatening situation started with the expiration of long term contracts for electricity with aluminum and zinc plants, lime kilns, and ammonia producers. The first alarm was sounded by the Alcan-Aluminum plants Ludwigshafen, in the midst of the election campaign, in the election district of Chancellor Helmut Kohl. Plant managers threatened to shut down the furnaces and to dismiss 330 workers, if they could not be provided with electricity at reasonable prices.

Next followed the Frankfurt Metal Company AG. It announced closing of its Ruhr-Zink GmbH plant in Datteln, Westphalia, if electricity in the future were to be charged at the rate of seven Pfennigs instead of at the current rate of four Pfennigs.

Frightened by such critical reports, especially since they were from his own election district, Kohl asked Federal Economics Minister Otto Graf von Lambsdorff to investigate the pricing problem of electricity-intensive production plants. The first results of the investigation of the civil servants of the Bonn Economics Ministry were: Many plants with electricity-intensive production today pay energy prices far below the actual generating costs in their own generating plants. Other power customers, among them residential customers, thus already subsidize production in these plants.

The basis for the relatively high electricity costs is explained by Bonn as "the still-existing shortage of power plants which can cost-effectively supply the base load, and the unusually strict environmental constraints compared to other European countries."

Yet, the increase in electricity prices will show down towards the end of the eighties, since by then several nuclear power plants will have been completed, which will reduce the base load deficit.

Until then electricity consumers will have to live with the present price level because, quoting a "note" by Wolfgang Obernolte, Lambsdorff's ministerial director, a "direct or indirect subsidy of the electricity rate by the Federal Government is not acceptable as a solution." The differing electric rates for different aluminum plants were "in the end, a consequence of previously-made managerial decisions," the resulting consequences must be borne by the plants themselves.

The chief of the investment goods section, however, has some ready advice for the affected companies: They should negotiate with the electric companies and should fully exploit "existing anti-trust and electricity-cost related legal possibilities." Obernolte does not consider the position of the aluminum plants in the discussions with electricity producers as too unfavorable.

On one hand the plants, as consumers of base load current are especially important from an economic standpoint. On the other hand the metal plants are bulk purchasers of electric power. Their elimination as customers could be a severe blow to the electricity producers.

If it should not be possible during the contract negotiations to agree on an electricity price which would guarantee competitive production, the plants would then have to "draw the necessary structural consequences and make accommodations," is the opinion of the Lambsdorff civil servant. In plain language this can only mean: stop production or move to a foreign country. The ministry spokesman has a warning however, that in the second case: "electricity prices in other countries will rise too!".

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REPORTAGE ON NATIONAL ENERGY POLICY, OIL COMPANY

DEP Activities

Athens I KATHIMERINI in Greek 22 Sep p 8

[Text] There are historical indications that perhaps petroleum was known in Greece from remotest antiquity. It is probable that the "black islands" of Homer were not unrelated. In any case, in our era it is a concrete fact that our country too has been gifted with this precious fuel to a certain degree. Consequently, it was necessary to organize a state ministry whose mission would be to further the Greek petroleum industry, at first with foreign assistance and afterwards on its own. This role was entrusted to DEP (Public Petroleum Corporation), which was established in 1975.

In the last 10 years, within the context of the world-wide petroleum crisis, enthusiastic but excessive hopes were born about Greek wealth in hydrocarbons. Certainly the Aegean Sea has not proved to be the Persian Gulf, nor has the Ionian Sea turned out to be the North Sea. Nevertheless, up to now the growth of Greek petroleum production has not be negligible, and there are more and more indications that it will increase greatly. Thus DEP's task appears to be very extensive and promising.

Petroleum Production

Indicative of this we report that since 1981, when petroleum production started in Greece (at the Prinos and southern Kavala deposits), to the end of 1982, 8,929,423 barrels of petroleum, 106,665 tons of sulphur, and 28,802,390 cubic meters of natural gas were produced.

To be more specific, in 1982 production reached 7.5 million barrels of petroleum, 99,000 tons of sulphur, and 21 million cubic meters of natural gas, which in daily terms corresponds to:

20,390 barrels of petroleum,
270 tons of sulphur,
54,420 cubic meters of natural gas.

This production represents a certain value, a part of which the Greek state is absorbing and which is at the disposal of DEP. This sum amounted to 279 million drachmas in 1981, 1.450 billion in 1982, and 1.730 billion in all up to 1983. Besides DEP is clearly a state company with the state as sole participant.

DEP's Mission

What is, however, DEP's clear mission?

Its general scope is:

- a) To appraise Greece's petroleum potential.
- b) To discover and produce hydrocarbons both within and outside Greece.

Naturally DEP's general mission is in the government's 5-year development plan, but with longer time margins because the appraisal of petroleum potential requires a decade, namely two 5-year plans.

For DEP to fulfill these goals it plans to do the following:

To search for and extract petroleum.

To process, store, and allot petroleum and natural gas.

To provide advice on petroleum matters.

To construct and utilize petroleum pipelines and storage tanks.

Up to now DEP has confined its activities to the first two objectives; it has, however, been steady and prompt in giving its full attention to them. It is also establishing a strong substructure in two ways: one is its staff and workmanship; the other is its technical equipment.

Staff

On 31 December 1982 DEP's regular staff consisted of:

- 67 technicians, with diplomas AEI [expansion unknown]
- 37 general technicians
- 24 administrators with economics and law degrees AEI [expansion unknown]
- 30 general administrators and economists
- 32 assistants

The total is 190 individuals. This staff is getting specialized education and training. Many are observing the activities of foreign companies and are working for them on a regular basis. Other cadres are attending seminars and conferences on petroleum-related subjects in foreign countries (England, France, Norway, Italy, America). Finally, many cadres are making information-gathering trips to state-owned and private companies in the Netherlands, Norway, Yugoslavia, Rumania, America, England, the Soviet Union, and the countries of the EEC.

It is worth noticing that DEP--within the boundaries of the 5-year plan--will hire about 170 high specialized individuals in order to meet its objectives.

Equipment

In a similar manner, DEP's acquisition of suitable equipment is being accomplished swiftly and according to plan. It already has radio navigation equipment at its disposal for accurately determining the signal of the floating islets, platforms, and so forth. It is also providing a seismic unit with hydraulic vibrators, at a cost of 200 million drachmas. In addition it is now acquiring, for 100 million drachmas, a telemetric system for seismic recording in shallow waters, which can also operate in inaccessible mountainous areas.

The cost of providing a computer to mechanically organize all DEP's practices is 260 million drachmas.

Finally, the giant of DEP's technology: a land drill able to pierce the earth to a depth of 4,000 meters, costing 700 million drachmas.

This is the basic human and inanimate material with which DEP is carrying out its investigations, including drilling activity.

Exploration Expense

In 1982 DEP used 3.5 billion drachmas for its labors, including 550 million drachmas for geophysical investigations, 50 million for geological research, and 2.45 billion for drilling.

It should be noted that the center for exploration activity to discover petroleum deposits has now moved from the Aegean to the Ionian Sea, and in general from eastern to western Greece.

In fact, the amounts which were spent in 1982 for exploration (including drilling) are divided as follows:

- 57 percent in the area of the Ionian Sea
- 10 percent in the Aitolokarnania-Ipeiros region
- 7 percent in the northwest Peloponnisos
- 17 percent in western Thrace

That is, the western side of Greece has absorbed five times as much money as the eastern side.

In this drilling activity, in many instances DEP participated in joint ventures with foreign companies such as the Rumanian Rompetrol (on land) and the drilling ship "Dan Baron" of the JL [expansion unknown] company. In 1983, AGIP [expansion unknown] began the necessary work for a substructure at Paxoi, the deepest well to date in Greece, which will be more than 6,500 meters deep.

DEP is acquiring excellent experience by taking part in this work, which soon it will be able to undertake entirely on its own. Moreover it has already had significant successes, chief of which is the discovery in 1982 of a petroleum deposit in western Katakolo, with the well called "Western Katakolo-2," at a depth of 3,035 meters in the sea.

Reserves of 10 million barrels of petroleum and 500 million to 1 billion cubic meters of natural gas have been confirmed there. These reserves are not immediately economically exploitable because of the depth of the sea. The exceptional importance of the event, however, lies in the fact that this discovery took place exclusively through Greek exploration efforts under DEP's direction and responsibility. Therefore: first, DEP has proven its ability to free itself completely from foreign scientific and technical participation; second, DEP has proven its ability to drill the deepest possible wells, whether on dry land or in the sea (in 1981 a well 4,229 meters deep was drilled in western Evros, in 1982 one 3,830 meters deep was drilled in Orestiada, and now we have the one in western Katakolo); third, although it is not economical to exploit this petroleum deposit at present, it encourages well-grounded hopes about the existence of other important petroleum deposits in Greece, in addition to those in Prinos; and fourth, given that the discovery of "Western Katakolo" took place completely through Greek efforts, the reserve is free from any form of concessionary contract with foreigners. This is a matter which opens up new perspectives in regard to making the Greek petroleum industry independent from foreign capital and technology.

Respect for the Environment

DEP is performing its mission with strict respect for the environment. It has already contracted with a German company to measure the pollution on dry land, in the air, and in the sea in the area being exploited. This cooperative venture has already begun.

DEP is continuing its task with full vigor and enthusiasm. In 1983 the state budget will allot it 2.15 billion drachmas. The year's program provides for a great deal of exploration and drilling, while for the first time in Greece exploration for magnetic tellurium is going on, but in 1983, 1.302 billion drachmas will be allotted to mechanical engineering equipment, staff education, and other operating expenses.

Thus DEP is carrying out its mission, consisting of developing all of Greece's hydrocarbon wealth and making it the possession of the Greek state.

Development Programs Outlined

Athens I KATHIMERINI in Greek 22 Sep 82 p 10

[Excerpts] The contribution of a country's electrification to the rise in its population's standard of living is well known. An immediate consequence of electrification is the development of manufacturing branches related to the various uses of electricity in our daily life (stoves, washing

machines, hot water heaters, irons, televisions, and so on). The growth of industrial branches using great amounts of electricity, such as steel, aluminium, nickel, iron alloys, cement, and chemicals, became possible only after they could be certain about supplies of sufficient electricity at competitive prices. In contrast, the possibility of using the energy capital investment program as one of the primary movers of the national economy is being recognized much later, especially in regard to the development of still other industrial branches such as, for example, construction, electrical equipment, mining equipment, engineering equipment, and electrical cables. The recognition of the possibility which Greece has of absorbing and incorporating advanced technology within the development program of DEI (Public Power Corporation) is completely new.

The Electrification of Greece

In 1949, there was a well organized electrical enterprise only around the capital and it was sufficient to serve the needs of its population.

In 1982, 99.4 percent of the population is being supplied with electricity.

Progress in supplying houses with electricity has been stagnant since 1977. Today 86.3 percent of houses have power.

Of the approximately 12,000 settlements in Greece, 14 percent remain without electrical current, representing, however, only .6 percent of Greece's population.

Rural Electrification

The 5-year plan for rural electrification, which has been approved, anticipates supplying electricity to 347 villages with a population of 21,181 inhabitants. Supplied with current will be an additional 180 villages, with a population of 14,300 inhabitants, whose electrification had been scheduled in previous 5-year plans.

At the end of 1982 there were 85,000 wells driven by electricity and they were irrigating 4.6 million stremmata. There remain 135,000 groups of pumps which run using petroleum and today irrigate 2.75 million stremmata. Of these, 4,000 per year will switch to electrical operation. Every year 3,000 new wells are being added which will use electric motors. In addition, every year DEI is connecting with current about 1,000 customers who maintain cowsheds and pig stys, and are occupied generally with the rural economy.

Installed Power, Production

The evolution of power installed in electrical power stations from 1939 to 1982:

In 1982 installed power was 46 times greater than that of 1939, while from 1954, when DEI began operation, to 28 March 1983, installed power has increased 25 times. The production of electrical energy from 1961 to 1971 grew from 2,000 GWH (gigawatt hours) to 10,600, that is it more than quadrupled.

In the following 10 years we barely doubled production, from 10,600 GWH to 21,400.

The increase in energy produced from lignite is significant. Starting in 1982 it was clear that production of electricity from petroleum was drying up, which is a basic objective of DEI's development plan.

From 1981 to 1982 the production of electrical energy from hydroelectric sources grew by 4.5 percent, and from lignite by 2.4 percent, while at the same time production from petroleum was reduced by 7.7 percent.

Consumption

Also impressive is the growth in electrical energy consumption from 250 GWH in 1939 to 20,704 in 1982, namely 83 times as much.

The per capita consumption of 87 KWH (kilowatt hours) in 1952 reached 2,113 in 1982, that is there is an average annual growth of 11.3 percent. Consumption due to home use grew from 92 KWH to 2,000 from 1952 to 1982.

Customers

DEI will soon have close to 5 million customers, 3.75 million of whom are home consumers and a little less than 1 million are merchants and manufacturers.

We have about 90,000 farmers as customers.

Independently of Greece's economic progress, during the past 10 years DEI has had almost linear customer growth, which recently stabilized at 4.1 percent. Every month about 12,000 new customers are being connected to DEI's networks.

Production of Electricity Must Be Based on Greek Sources of Energy

The basis for every project in DEI's development plan is:

1. The development through time of the search for electrical energy.
2. The satisfaction of the peak winter demand for electricity.

During 1982 the production of electrical energy from lignite covered 52 percent of all production; production from hydrodynamics was 15.9 percent and from petroleum 28 percent.

On the other hand, the rest of Greece's energy sector is very greatly dependent on petroleum since 72 percent of the primary energy source is petroleum, and it does not appear that the situation can be perceptibly changed soon.

We note that electrical energy covers a proportion of 35 percent (equivalent to 1.7 tons of petroleum) in the whole of primary energy (equivalent to 4.7 million tons of petroleum), as opposed to approximately 25 percent in other countries.

This is primarily due to the lack of natural gas network and the use of electrical energy for heating mainly in houses and small industry. The lack of a natural gas network has negative consequences for Greece's energy equilibrium, since the cost of natural gas for heating is lower than that of electricity. The lack of a natural gas pipeline has obliged DEI to make larger capital investments in order to produce electricity.

The use of natural gas will contribute to the replacement of electrical energy, that is to the supply of energy. In addition, the use of natural gas instead of petroleum will contribute to reducing environmental pollution.

Several European countries, eastern and western, have set as a goal their independence from petroleum in any way possible, even by a more extensive use of nuclear power, even if imported.

We believe that the production of electricity in Greece must be based on domestic resources, without this meaning that we will not use inexpensive petroleum if it will be available. Thus our future installations must be able to use petroleum if this is judged advantageous for the sake of the national economy as, for example, if we have foreign exchange at our disposal for purchasing petroleum and we can conserve lignite reserves for the future by this means.

During the investigation of various alternative solutions (an energy operation and new units fueled by petroleum, units fueled by mineral coal, by lignite, by a YIS [hydroelectric station]), to cover electrical energy requirements, the conclusion was that the least overall capital investment cost for purposes of maintaining DEI's system can be achieved by developing domestic resources.

At the end of the 1980s, it is anticipated that the dependence of electricity production on petroleum will have been substantially ended. The forecast of the production of 30,000 GWH for 1992 must be termed optimistic.

The development of lignite power stations includes developing the mines in the southern plain of Ptolemaida, in Amytaio [sic], and in Komminoi in the broader area of Ptolemaida-Amyndaio. It also includes developing the mine on the Kyparissi site and in Khoremi in Megalopoli, to serve the fourth unit.

Large Multiple Purpose Hydroelectric Projects (YIE)

Of the large hydroelectric projects which are under construction and will go into operation during the 1983-1987 5-year period, or will in the future be added to the system during the 1988-1992 5-year period, three are multiple purpose projects.

1. A YIE at Asomata, $2 \times 54 = 108$ MW, on the Aliakmonas River, downstream from Polyfyto.
2. A YIE at Stratos, $2 \times 85 = 150$ MW [sic], on the Akhelooos River, downstream from the YIE at Kastrakios.
3. A YIE at Thisouros on the Nestos River, $2 \times 172.5 = 345$ MW.

The above projects, in addition to producing electrical energy, will provide water for irrigation.

The total quantity of water which will be available is estimated at 1.75 million cubic meters, and it will allow the irrigation of areas which are not being irrigated at present and the improvement of irrigation conditions in cultivated areas which are not being systematically irrigated. Thus the total area under irrigation will increase to 2.5 million stremmata in the plains of Imathia, Aitolokarnania, and Xanthi.

In order to judge the value of the contribution of multiple purpose hydro-electric projects to the national economy, it is sufficient to report that from the irrigation of this entire area net rural income will be increased on the average by 5,000 drachmas per stremma, namely in total the rural income in these areas is growing by 11.25 billion drachmas, distributed as follows: 4.25 billion in the nome of Imathia, 3.25 billion in the nome of Aitolokarnania, and 3.75 billion in the nome of Xanthi.

Small Hydroelectric Projects (YIE)

In the framework of DEI's 5-year development plan for 1983-1987, provision has been made for 12 small YIE to be added to the production system. According to today's estimates, these YIE will have a total power capacity of 100 MW and will produce 320 GWH annually. The maximum expense is calculated at 4.5 billion drachmas.

Projects for producing electrical energy which are based on renewable sources:

Geothermal Energy

DEI's activities in the area of geothermal energy have gone forward primarily on the island of Milos, where soon the first experimental units, with a capacity of 1 to 3 MW, will be installed. It is estimated that by 1989 the development of the geothermal plain there will be completed, with geothermal units having a total capacity of 100 MW.

This electrical energy is expected to be transmitted to the surrounding islands and to the National Grid System by underwater cables.

In addition, the exploration of the geothermal plain of Nisyros has begun, while preliminary investigations in other promising areas (Lesvos, Loutraki-Sousaki, Poros-Methana, Aidipsos, Platystomo) are being completed. There is a prospect of transmitting electricity from Nisyros to Kos and the rest of the

Dodekanisos Islands. According to the estimates of EEC specialists, the geothermal potential of Greece is 750 MW, and it will thus become one of the great geothermal centers of the world.

Wind and Solar Energy

On the island of Kythnos a wind park with 5 units is in operation with a total capacity of 100 KW, and a 100 MW photovoltaic station is being installed. An energy park with solar and wind energy is expected to be installed in Gavdos with the financial assistance of the EEC. According to Greek and international experience, applications of solar energy are expected to increase in the islands, where autonomous electrical power stations operate powered by diesel fuel, as well as in Crete and Rhodes in order to replace petroleum.

Capital Investments

The budget for capital investments for carrying out the 5-year plan is remarkably high. The greatest part of the capital investments is set for 1984. This is due to the intensity in making capital investments in order to replace petroleum and to inflation.

Of the total capital investments, 310 billion drachmas for the 5-year period, one-third is in foreign exchange while the remaining two-thirds is in drachmas, for the benefit of the national economy.

Certainly at this point it is proper to ask: What is the foreign exchange advantage from exploiting local energy sources to replace petroleum since the capital investments draw on foreign exchange?

Ever since 1980, providing a petroleum equivalent has more than covered the entire foreign exchange expense (amortization and interest) allotted to capital investments and the purchase of petroleum for producing electricity.

A typical example of a use of a domestic energy source which saves on foreign exchange is the scheduled fourth unit of Megalopoli, which is not among the system's inexpensive units, and which over 25 years will require 40 billion drachmas. Of this amount the foreign exchange portion is 15.5 billion drachmas as opposed to a new unit using mineral coal, which for the same amount of energy over 25 years will require 50 billion drachmas, of which 39.5 billion are in foreign exchange. If the same quantity of energy is produced from an existing unit using petroleum, 60 billion drachmas will be required, of which 58 billion will be in foreign exchange.

The above shows the clear accounting advantage without considering the advantage of the creation of jobs during the construction and operation of the power station.

Demand can be covered by domestic sources of energy.

DEI's Capital Investment Program and Contribution to Domestic Industry Development

Capital investments in 1983 amount to 55 billion drachmas (with the prospect of increasing them), with a foreign exchange proportion of about 32 percent.

1. Hydroelectric Projects
2. Thermoelectric Projects
3. Mines
4. Transmittal Projects
5. Distribution Projects
6. Renewable Form of Energy
7. Capital Investments to Protect the Environment
8. Flying Ash
9. New Sites of Operations

DEI's contribution to the economic development of Greece is evident in its high capital investment activity, but also in its noteworthy share of the value added (resulting from its activity in general) to the formation of the Gross National Product (AEP).

As an example of this we report that, while in 1976 DEI's capital investments in current prices were 23 percent of public capital investments and 7.7 percent of Greece's total gross investments of fixed capital, in 1981 the corresponding percentages rose to 33 and 9.4.

In respect to DEI's percentage share of the value added to the formation of the GNP, in constant 1970 prices we report that it rose from 2.5 percent in 1967 to 3.2 percent in 1981. Mention that the corresponding percentages of the manufacturing sector were 21.7 and 21.2 percent clarifies the situation.

Most of the DEI's scheduled capital investments, in combination with its ambitious reorientation in being supplied by domestic industry, are expected to contribute to enlarging domestic industry's production base.

Operation of Electricity-Intensive Industries

With the growth in power stations and in the national grid, DEI has created the conditions necessary for establishing electricity-intensive industries in order to make the mineral wealth of Greece productive.

DEI's Contribution to Local Development in Greece

DEI's existence has contributed so much to the development of the national economy as a whole, but also to local development more specifically. The establishment of power stations has absorbed significant number of the local labor force. It has also contributed to bringing in an equally significant number of those employed in the area who come from other districts of Greece, and it aided development either by maintaining former economic activities or by creating new ones.

DEI's Financial Situation Today

DEI is the largest business in Greece. Its assets on 31 December 1982 were estimated at 279.8 billion drachmas. Its net fixed assets represent 78.5 percent of its assets; it is thus a business with great emphasis on fixed capital.

The net fixed assets, 220 billion drachmas, are valued at their acquisition price (historical cost). At today's prices they would be worth 650 billion drachmas.

Its long-term obligation represent 73.2 percent of its total liabilities and 94 percent of all its obligations (both long and short term). DEI, despite this debt ratio, preserves its credit standing undiminished, both abroad and at home.

Here must be emphasized the small role played by its own funds and the efforts which must be made both to lower expenses and, within the 5-year policy plan, to continue looking into ways of increasing the self-financing of capital investments.

Conclusions

The foregoing analysis defined in general lines the contribution of DEI's activity and the role of its capital investment program in the development of the national economy.

Recapitulating, we present below the main goals of DEI's program:

1. To cover the demand for energy up to the year 2000 from indigenous sources in order to ensure energy independence and stable costs.
2. A democratic plan, in cooperation with the local self governments, for local development and completion of the electrification of Greece, especially rural electrification.
3. To carry out the multiple purpose projects (for example irrigation, water supply, fish hatcheries). To develop small hydroelectric projects as multiple purpose projects and units producing heat and electricity together.
4. To to research on and develop renewable sources of energy so that domestic resources will participate to the greatest possible degree in these activities. Particular importance is being given to developing these sources in the islands of the Aegean Sea. Making geothermal energy productive will permit the development of transmission links for many islands.
5. In order to strengthen native industry and ensure a greater use of domestic material and human potential, the following measures are provided for:

A new regulation for procurements, to make the procedure clear but also to support domestic suppliers (domestic industries, construction companies, and so forth).

Dividing up the big projects so that the greatest possible number of local houses will be involved.

6. Application of a pricing policy, based upon the long-term marginal cost, with the rational use of electrical energy as a goal, but also in line with the general economic and common government policy.

7. To supply technical assistance to other countries, or order to use the high level of native scientific resources productively.

8. To develop the possibilities of financing by various community organs (local development, energy, environmental protection, alternative forms of energy, research and technology, and so forth) by suggesting suitable feasibility studies.

11587

CSO: 3521/2

NEW INVESTMENTS IN OIL REFINING INDUSTRY

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German
14 Oct 83 p 2

[Unattributed article: "Holland's Refineries Experiencing Improvement; Construction of the 'Flexicoker' by Esso Is the Country's Largest Investment Project"]

[Text] The Hague--13 October -- The economic upturn is now already having an effect upon Dutch refineries, according to recent remarks by Economics Ministers Gijs van Aardenne on the occasion of the start of construction of a new "flexicoker" near the Esso refinery in the Rotterdam port district. The Netherlands had once again recovered market share lost in 1980 and 1981 in supplying northwest Europe with petroleum products. The decline in the export balance for petroleum products has been brought to a standstill and recently Dutch refineries have even been able to increase their market share in Europe, particularly as far as high value petroleum products such as gasoline are concerned, the Economics Minister said further.

Currently, investments totaling nearly 5 billion guilders are planned or are being carried out at Dutch refineries (including the Esso project). Van Aardenne anticipates that the projects will be a powerful stimulant for Dutch equipment and machine building as well as for employment in these sectors. Moreover, Dutch industry will hereby acquire experience in performing conversion processes (the production of light, high value petroleum products), and thus will be able to compete as a provider of this types of project abroad. Esso's decision to build its flexicoker in the Netherlands is proof to the Minister that the company has confidence in the investment climate in the Netherlands.

Esso's flexicoker entails investments totaling 2.5 billion guilders. In this way the firm intends to better harmonize production with the shift in demand from heavy petroleum products (such as heavy heating oil) to lighter products.

This shift in demand is a consequence of the structural changes occurring in the refining industry in the past several years. In the last 4 years the demand for petroleum products within the EC has dropped from 524 to 425 tons. This decline was caused to a significant extent by the strong reduction in demand for heavy heating oil by industry and electrical power plants. A

further consequence of the structural changes is the large overcapacity in the refinery sector. Because of their special situation in supplying northwest Europe with petroleum products, this development was a greater blow to the Dutch refineries than to those in other countries. Whereas the need for petroleum products within the EC was reduced by 20 percent, the Dutch refineries processed nearly 35 percent less crude oil. In 1977, about 130 million tons of crude oil were still being shipped through the port of Rotterdam. Last year it was scarcely 80 million tons.

Esso's investment of 2.5 billion guilders in the flexicoker is an important part of the "gentlemen's agreement" which Shell and Esso concluded with the Dutch Government. According to its terms they are obligated to invest in the Netherlands part of their profits from natural gas exploitation. The director of Esso Nederland, R. Dahan, commented that Esso is having made significant profits in the Netherlands through natural gas exploitation played an important role. Construction at a different site, for example in Antwerp, would have entailed a less effective adaptation of existing installations. Other motives in making the construction decision were, according to Dahan, the favorable labor climate and the investment climate. He mentioned further that the Esso project was the largest investment ever carried out in the Netherlands by a private company.

The Esso director said further that the start of construction did not mean that the award of all contracts to industry had already been determined. According to his statements, Dutch industry still had many chances to compete for and to receive a significant part of the orders to be awarded for the construction of the flexicoker. Esso wished to give Dutch industry the best possible prospects for doing so. If Dutch firms were to make attractive offers, they would be taken into consideration as much as possible. Of course, the offers must be on a par with international competition, Dahan said, and in view of the desired quality, delivery period, and service the costs would have to be as favorable as possible for Esso, which does not intend to stimulate "experiments" and innovations on the part of Dutch industry. These conditions represented the best guarantee to Esso that Dutch companies would aggressively pursue the opportunity offered them.

About 15 percent of the total costs for the flexicoker are going for design and engineering. Approximately 40 percent of the amount invested is being spent for equipment, installations, and structures away from the construction site. Activities at the construction site itself cost about 35 percent of the total amount. About 200 contracts will be awarded in the latter category alone, of which about 170 remain to be made, half of which to the metal industry.

The share going to the electrical engineering industry accounts for 15 percent. Of the Dutch firms, Fluor Nederland B. V. (Haarlem), Slavenburg's Bouwbedrijven, Stork Ketels (Hengelo), Vmf-subsidiary Wescom, Foxboro (Soest), Furness Expedition B. V. (Rotterdam), and Sigma Coatings, among others, have until now received contracts.

The construction of the flexicoker is part of Esso's program for solving the problems in the refining sector. By constructing the conversion facility having a capacity of 32,000 barrels per day, Esso intends to better coordinate refinery activities in Rotterdam and Antwerp. The light final products (gasoline, aviation fuel, and others) from the flexicoker, which should be completed in 3 years, are expected to be sold primarily on the Dutch market.

12412

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STATISTICAL SURVEY OF REVISED NATIONAL ENERGY PLAN

Madrid YA in Spanish 13 Oct 83 p 21

[Article by Carmen Tomas: "Energy Plan to Cost a Quarter Trillion"]

[Text] The main objectives of the revised National Energy Plan (PEN) for 1983-1992 are to reduce the country's energy dependency, to cut consumption and foreign exchange outlays and to move towards self-sufficiency. The plan calls for total investments of around 250 billion pesetas, of which the government will provide 1/6, YA has learned. The plan, which was drafted by the Industry Ministry and which the Council of Ministers will be studying over the coming weeks, also proposes incentives for the use of coal and gas. The relative prices of the various fuels will thus be realigned, after which pricing policies will be stabilized, investments that promote substitution encouraged and the gas distribution enterprises bolstered.

The revised PEN calls for a series of measures to achieve these objectives. To diminish the dangers of energy dependence the plan proposes an increased use of national resources and a 20 percent rise in the national supply of coal, gas, oil and water power. This will mean a cumulative annual increase of 1.8 percent, not counting any new reserves that might be found and brought into production. The government hopes that by achieving this goal it will maintain the employment level in the coal sector and generate additional jobs in building the infrastructure for water and gas power.

With regard to energy conservation, energy consumption in millions of 1983 pesetas as a percentage of the gross domestic product is expected to drop from 3.7 equivalent tons of coal in 1982 to 3.2 in 1992. This will mean savings of 14 percent per unit of the GDP.

As far as sector self-financing is concerned, the plan sets forth three objectives: electricity rates will cover variable and fixed costs and financing; the average cost of coal production will fall in constant pesetas below the selling price, and the consumer price of a composite ton of oil derivatives will not follow the downward trend in crude oil prices.

Pessimistic Demand Forecast

The revised PEN gives the following pessimistic breakdown of end energy consumption: by 1986, coal, 8.6; electricity, 12.6; gas, 3.4; oil derivatives, 50.8; and by 1990, coal, 10.5; electricity, 14.1; gas, 4.4; oil derivatives, 54.7; and by 1992, coal, 10.9; electricity, 15.1; gas, 5.7; oil derivatives, 57.4.

In estimating demand, the assumption was that the GDP would be up 2 percent in 1983, 2.5 percent in 1984, 3 percent in 1985 and 3.5 percent for the 1985-1992 period. As far as prices are concerned, coal will be up 0.5 percent; the average prices of electricity and oil derivatives will remain constant in real terms, and there will be a shift in the price structures of oil derivatives, electricity and gas.

Conservation: 63 Million Equivalent Tons of Coal

Energy conservation for the 1984-1992 period is expected to total 63 million equivalent tons of coal, 11 million for 1992 alone.

The necessary average investments between 1984 and 1987 are estimated at 32 billion pesetas, of which the government will contribute 5 billion. Average investment will come to 25 billion from 1988 to 1992, with the average government contribution amounting to 4 billion pesetas.

With regard to encouraging coal use, the plan stresses the need to plan for meeting demand with a larger proportion of domestic products by cutting costs but without depleting reserves.

In meeting this goal, the country must also take steps to minimize damage to the environment. In this regard, regulations will be drawn up for strip mining; sulfur emissions will be controlled through appropriate mixtures in the short term and by desulfurizing domestic coal in the medium term, and pollution will be closely monitored at ports and warehouses.

Consumption Breakdown

	<u>1986</u>	<u>1990</u>	<u>1992</u>
Coal	11.4	12.5	12.3
Electricity	16.7	16.8	16.9
Gas	4.5	5.3	6.4
Oil products	67.4	65.4	64.4

Higher Gas Consumption

One of the goals of the 1983 PEN was to have gas account for 4.5 percent of primary energy consumption in 1986 and 5 percent in 1990. This goal can be achieved, according to the revised plan, by boosting household consumption and marginal industrial use.

The supply breakdown for 1986 looks like this: domestic output, 210 million cubic meters; Algerian gas, 2.7 billion, and Libyan gas, 640 million. The breakdown in 1990 will be: domestic output, 1.1 billion; Algerian gas, 2.7 billion, and Libyan gas, 600 million. In 1992 it will be: domestic output, 1.15 billion; Algerian gas, 3 billion, and Libyan gas, 600 million cubic meters.

To boost gas consumption, the plan talks about extending the gas pipeline to the central region; pursuing a promotion policy that would include relative prices for liquified petroleum gas (LPG), fuel oil and gas oil; conversion financing for customers, and the strict enforcement of pollution laws. The distribution firms would also be bolstered through investments and capital formation.

The goal of supply planning in the oil sector has been to meet domestic demand while minimizing outlays for imported crudes. Given that only 50 percent of petrochemical naphthas can be imported as end products, other ways of supplying oil derivatives are being looked into.

Oil Derivatives Demand Structure (in millions of equivalent tons of coal)

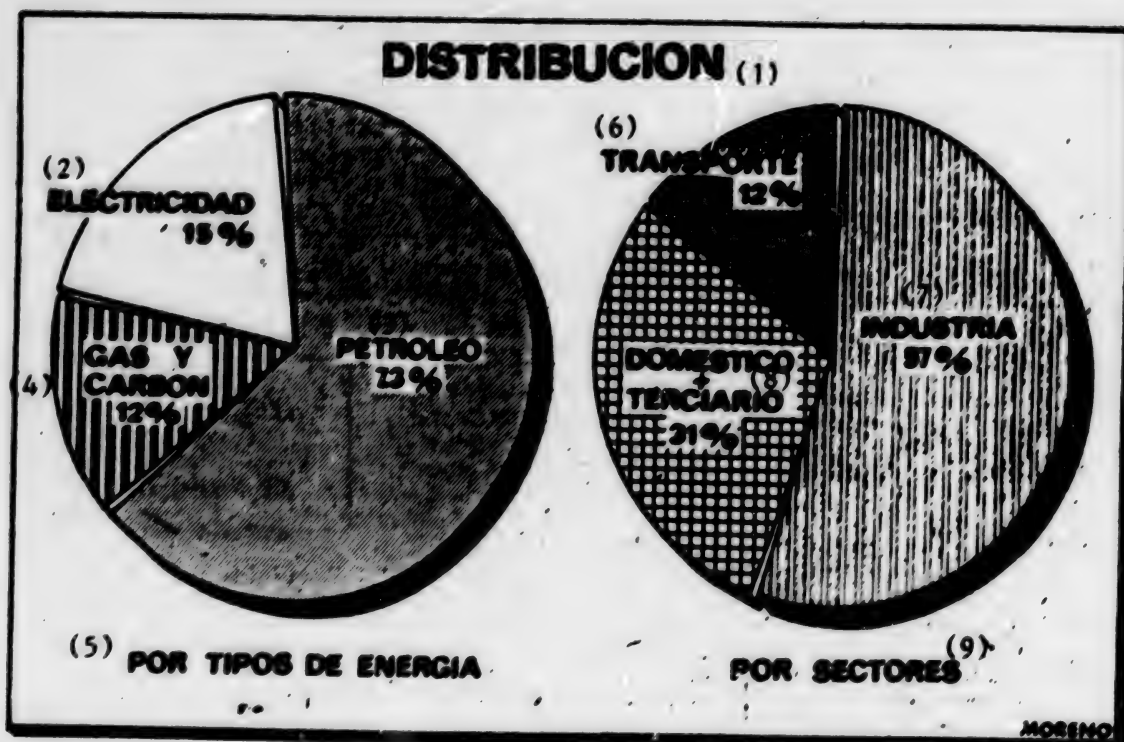
	<u>1983</u>		<u>1987</u>		<u>1992</u>	
		%		%		%
LPG	40	7.2	47	8.8	52	9.0
Naphthas	44	7.9	36	6.7	37	6.3
Gasolines	86	15.4	105	19.6	118	20.2
Kerosene	17	3.0	20	3.7	21	3.6
Gas oil	157	28.1	180	33.5	206	35.2
Fuel oil	198	35.4	136	25.3	138	23.6
Others	17	3.0	13	2.4	12	2.1

Transformation of Nuclear Energy Board (JEN)

The biggest change in the allocation of research funding is the transformation of the Nuclear Energy Board into a research and development center. Its fundamental areas of study will be the fuel cycle, radiation safeguards and the environment, renewable energy sources (solar, photovoltaic and biomass) and basic research (fusion and high energies).

The Energy Studies Center will research the development and conservation of renewable energy sources, and the Geological and Mining Institute will investigate geothermal power and coal prospecting.

With regard to renewable energy, the aim is to cut the cost of solar panels by 40 percent and to make them last 20 percent longer; to develop a photovoltaic system that can be used for rural electrification; to cut the cost of urban solid waste plants and to develop the geothermal resources in the northern area of Madrid.



Key:

1. Breakdown
2. Electricity
3. Petroleum
4. Gas and coal
5. By energy source
6. Transportation
7. Industry
8. Household and services
9. By sectors

8743

CSO: 3548/47

CASE STUDY OF PEN REVISION IMPACT ON NUCLEAR PLANT

Madrid ABC in Spanish 13 Oct 83 pp 52-53

[Article by Carlos de Miguel]

[Text] The revised National Energy Plan (PEN) could put the two units at the Valdecaballeros nuclear power plant against the ropes. The plant is located in the province of Badajoz near the Caceres border. If the Socialists' proposals on nuclear power's share in total electricity generation are carried out, practically all of the 200 billion pesetas that have been invested in the project so far will have gone to waste.

Last year's revised PEN stipulated that nuclear power should generate 12,500 megawatts in our country. The so-called third generation nuclear power plants have continued under construction in accordance with the first Energy Plan (1979) and its revision of last year. Now, however, the Socialist government apparently wants to cut the share of the nuclear plants to just 7,000 megawatts, which would mean that five of the plants currently under construction or on the drawing board would be unnecessary.

Each nuclear power plant generates about 1,000 megawatts, and therefore 5 would have to be eliminated. The one that comes first to mind to all experts is the second unit at the Trillo plant, where construction has just begun. The two units at Lemoniz have been shut down by the threat of ETA [Basque Fatherland and Liberty] terrorism. The two others could be the units at the Valdecaballeros plant, even though construction is well under way.

More Than Half Built

The two units at the Valdecaballeros plant are located on the banks of the Garcia de Sola reservoir some 5 kilometers as the crow flies from the towns of Valdecaballeros and Castilblanco. It is a vast industrial complex amid the pasturelands of Extremadura, which are dominated by brown oaks. According to information from the construction companies, some 200 billion pesetas have been invested so far, and the first unit is about 65 percent completed and the second somewhat less than half finished. The shell of the turbine building has been practically completed

for the first unit, and the turbines themselves will be installed soon. The auxiliary building is also completed, with only the ventilation equipment, piping and cable trays remaining to be installed. The fuel building is in its final stage of construction, and the containment building has its shield and shell in place; only the domed roof is missing. The shell of the second unit has already been installed, and work is now under way on the second of its four floors. Some of the other construction projects are even further along, as some 75 percent of the cement needed for the entire first unit has already been used.

Extremadura Board Opposed

The Socialists were opposed to the Valdecaballeros power plant from the beginning. In contrast, France's Socialist government is pushing its nuclear program. Atomic energy generates 40 percent of the electricity consumed in France. Extremadura Socialists also campaigned against the plant during the recent elections and now that they have a majority on the Extremadura Board they want to halt construction.

Eugenio Alvarez and Miguel Alvarado, the industrial adviser to the Board and the director general of the Board respectively, have no real decision-making power on the issue inasmuch as nuclear power is not one of the areas that have been transferred to the autonomous bodies. In any event, the Socialists, consistent with their platform, are opposed to the nuclear plant, stating that they see no reason to start up the project. "Extremadura," they say, "is already making a generous contribution of nuclear megawatts, and don't talk to us about the province's development because Badajoz is in sad shape if it has to resort to nuclear power plants to prosper." They also assert that in addition to the Board's opposition the party itself is saying no to the plant by cutting back on the nuclear power output in the revised PEN. "There are no differences of opinion on this point; we on the Board and the Socialist parliamentary bloc are of one mind. There are no splits on this issue."

The adviser to the Public Works and City Planning Ministry, which has jurisdiction over the nuclear plant in connection with its environmental impact, is much more radically opposed to it. Juan Serna says that it would be dangerous to build the plant at the source of the Guadiana River, which has a very poorly regulated basin, because the country cannot afford to divert large amounts of water there. He has also stated, without giving further details, that the plant could cause damages totaling much more than the amount already spent, bearing in mind that almost 200,000 hectares of the basin will be irrigated. In the event of an accident or a false rumor, the owners of these lands would suffer losses.

Serna, who is staunchly opposed to the Valdecaballeros plant, has attacked the two companies behind the project, Hidroelectrica Espanola and Sevillana de Electricidad, claiming that the construction of the plant "is a chronicle of continuously illegal actions." According to Serna, the project

sponsors have invaded lands that do not belong to them, uprooted oak trees, built spillways without clearance, engaged in media propaganda and incited the workers to demonstrate against the Board. He also accuses them of creating hopes for jobs in the region so that towns near the plant will support its construction.

A magazine published by his office included an article opposing nuclear power. As an alternative it stated that "the only energy source that has made and will make for a better life on this planet is the sun." This assertion contrasts with even the most optimistic data from the Energy Studies Center, which estimates that solar power will account for just 3 percent of Spain's total energy consumption in the year 2000. It is not without some apprehensions that we cite this statement, inasmuch as the newsletter of the Board's Public Works Advisory Office, which is entitled TERRITORIO, brands journalists who write something positive about nuclear power as "mercenary pens serving causes that are as lucrative as they are inadvisable."

Furthermore, the Socialist administration's least optimistic estimates are that the demand for electric power will increase 3.3 percent a year on the average and possibly as much as 4 percent. Using the estimates by the experts at the Industry and Energy Ministry as a base, the Association of Capital Goods Manufacturers (SERCUBE) conducted a study according to which four of the nuclear power plants that the new Socialist PEN calls for eliminating would be needed to meet this increased demand for electric power even if consumption rises by just 3.3 percent a year.

The Plant Holds Its Own

The plant currently employs 4,455 persons, 2/3 of whom are from nearby towns, mainly Valdecaballeros, Castilblanco, Herrera del Duque, Don Benito, Logrosan and Villanueva de la Serena. Exactly 2,957 of them were born in Extremadura. This does not include indirect jobs in services, which would be very difficult to estimate. When the power plant goes on line, it will provide about 400 to 500 direct jobs, not including hiring by service companies for installation upkeep, guards, commuting, etc.

The wages paid out since the startup of construction total 6.666 billion pesetas, which has given rise to another 3,500 indirect jobs in the region. Moreover, the main contractors and the owners have been purchasing goods and services in the provinces of Extremadura. They have also done a great deal of local subcontracting; estimates are that since 1980 this subcontracting has come to at least 100 million pesetas a month. This means that purchases in the region so far have totaled more than 3.157 billion pesetas.

Thus, the total economic impact of the plant in Extremadura comes to more than 10.845 billion pesetas, which is equivalent to more than 3 billion pesetas a year since construction began.

Every attempt has been made to hire local companies for the construction work. When construction began, the Chambers of Commerce of Caceres and Badajoz were invited to the power plant and given information on all the materials needed there, from supports, piping and metal casings, which Nervion Espi is manufacturing, to the workers' plastic hardhats. We have recently spoken with companies that are having problems with work contracts. One of them is Forjas del Guadiana or Diter Zafra. "The fact of the matter is that we're in a no win situation," comments a company spokesman. "If we don't buy here, they say we're looking down on Extremadura, and if we do, then we're blackmailing the local towns into supporting us. So where does that leave us?"

For the time being the only sure things are the jobs that have been created, the investments that have been made, almost 90 percent of which remain in Spain, and the money that the Badajoz Delegation earns from the energy royalties under the 25 March 1981 law. This law provides that a certain percentage of the royalties is collected during the plant construction as well. The province has so far received 1.3 billion pesetas from Valdecaballeros, at least 800 million of which it has already gotten in cash, even though the nearby towns have not yet seen a bit of it. All of it is still in Badajoz. When the plant goes into operation, the royalties will total some 2 billion pesetas a year.

As in all nuclear power plants, the radiation that this one will emit when it goes on line will be practically insignificant. A dam is going to be built on the Guadalupejo River so that the plant cooling water does not go into the Garcia de Sola reservoir. The maximum emissions into this reservoir, whose waters will not be used for consumption, will be 5 millirems, which is equivalent to 2 percent of natural background radiation. The plant's annual water consumption comes to 35 Hm³, compared to the 976.9 Hm³ that the basin uses or the 1,200 Hm³ that are regulated yearly. To give readers a precise idea, this is equivalent to one-tenth of the losses from evaporation and leaks in the four dams in the basin, Garcia de Sola, Zujar, Cijara and Orellana. In the highly unlikely event of a nuclear accident, an evacuation would involve just 5,000 persons: the residents of the towns of Valdecaballeros and Castilblanco, the only ones less than 10 kilometers from the so-called "nuclear islands."

In a recent study entitled "Nuclear Power Plants and the Environment," Manuel Fernandez Meleno, an industrial engineer from Extremadura, stated that "the people living near the nuclear power plant will receive an average of 1 additional millirem a year over natural background radiation. This is less than one percent of the naturally occurring radiation and is comparable to that generated by a television set, for example. Therefore, the radiation from a nuclear power plant does not have a significant impact on the environment."

What Would We Do Without the Power Plant?

This is the question that the workers completing the afternoon shift asked themselves when we told them about the latest rumors that work on the plant would be halted. "This project will at least guarantee us work for another 3 years. We'll see what happens then."

The mayors of the nearby towns hold the same view. Gonzalo Pastor, the Socialist mayor of Valdecaballeros, is opposed to a halt in construction. "Sermonizing is one thing, money is another. Before closing it down, they should offer us alternative jobs, because almost all of the 2,000 residents in our town live directly or indirectly off the plant. The town used to have some farms, but the best lands are now covered by the Garcia de Sola reservoir. Now there is just a bit of livestock raising, and it's not very good. The plant is our sole livelihood. I've told this to the Board in writing, but they haven't even bothered to answer me. They've only thrown orders in my face."

"We also asked to have things clearly explained to us, because they're telling us that the nuclear power plant is bad, but they don't say why. They aren't providing specific information in this regard."

Waiting for the PEN

All of the parties to this issue (the Extremadura Board, the electric companies and the workers) are waiting for decisions regarding the revised National Energy Plan, which will be debated in the Cortes over the next few months. In the meantime, the company is proceeding with construction under the PEN now in force.

Nonetheless, if the Socialists do not modify their initial stand, then the reduced nuclear megawatt output could put the Valdecaballeros Nuclear Power Plant in a touchy position. If construction is brought to a halt in spite of what has already been invested, it could seriously damage the economic solvency of some of the large companies involved in the project. Moreover, Spain would be taking a step backward in its nuclear program, which is comparable to that of any country in Europe. Inasmuch as nuclear power is also the least expensive conventional energy source, national interest dictates that the problem be tackled with reasonable economic criteria rather than with debatable a priori political judgments.

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COMMENTATOR OPPOSES RATIFICATION OF LOS TREATY

Rotterdam NRC HANDELSBLAD in Dutch 27 Sep 83 p 7

[Article by M.G.Kramer: "Law of the Sea Treaty Not Advantageous; The Netherlands Should Not Ratify Treaty on Ocean Floor Exploitation "]

[Text] NRC HANDELSBLAD of 15 September reports that the Netherlands will soon ratify the law of the sea treaty. Since this ratification still has to be discussed by the Chamber, I want to draw attention to some aspects of ocean floor exploitation; the paragraphs with respect to fishing rights and coastal navigation will not be considered here.

The law of the sea treaty honors the principle that deep sea minerals--primarily concretions containing manganese--are to be seen as "the heritage of mankind." These "manganese nodules" will first of all be exploited economically on the basis of their nickel, copper and cobalt content. Only one American consortium is also considering the recovery of the remaining manganese, since the United States does not have enough manganese deposits of its own.

Briefly the law of the sea treaty comes down to the creation of a "world authority" which will issue concessions and take in "royalties" from private mining companies who want to start exploitation. Moreover, a "world enterprise" will be able to initiate parallel exploitation and to require a transfer of "know-how" for that purpose from the private companies.

When nickel, copper and cobalt are simultaneously separated from the manganese nodules through a metallurgical process which has to be carried out on land, more cobalt is recovered in exploitation by a number of consortiums than is expected to be required by the market. A country such as Zaire, which covers about 50 percent of the world need for cobalt, would like to see a "world authority" which would be able to halt seemingly superfluous production. This state of affairs is a clear example of guided economy.

When in December 1982, after many years of meetings, it finally came to signing, most of the industrialized countries begged off. The Netherlands signed along with about 90 of the 151 nations. In doing so, the Netherlands did not take a united position with the European Community. The United States and three other countries voted against it. The United States announced that they would thus not pay their share of the costs, amounting to 25 percent. The remaining countries, including

the USSR, abstained. Two Dutch companies meanwhile withdrew; they had a minority share in an American consortium. With that, Dutch interest in deep-sea mining has become practically zero. NRC HANDELSBLAD of 16 September reports that the FRG probably will not sign the law of the sea treaty. It doesn't feel isolated in doing so, since the United States, the United Kingdom, Italy, Belgium, Japan, etc. won't sign either, while "ENGINEERING & MINING JOURNAL" reports that France, on second thought, won't ratify it either.

Large Contribution

According to the NRC HANDELSBLAD article, the FRG would annually have to pay 820 million German marks toward the law of the sea treaty for research and administration costs. If that amount was cited correctly, one may conclude that the proportional Dutch contribution would be very large.

Two arguments lead to the tentative conclusion that during this century not much will result from deep sea exploitation according to the regulations of the law of the sea treaty. In the first place the market does not demand large enough amounts of metals--taking recycling into account--for the ore supplies on land not to be economically adequate.

In the second place, the technology required for exploitation of the deep sea lies primarily with those countries which did not sign the law of the sea treaty.

Therefore one ought to consider not maintaining a "super-bureaucracy" with moneys which could better be spent on other objectives. One ought to be aware of the fact that for the Netherlands, as compared to expenses, no benefits can be expected to be forthcoming from deep-sea mining within the foreseeable future.

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